ANNUAL FINANCIAL REPORT
AT DECEMBER 31, 2018

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NOTICE OF CALLING

Published on the Company's website www.gimatt.it (investor relations section) on March 14, 2019 and in MF on March 15, 2019 to convene the Ordinary Shareholders' Meeting on April 30, 2019 at 09:30 a.m. in Via Emilia no. 237, Ozzano dell'Emilia - Bologna, to resolve the following:

AGENDA

1. Approval of the financial statements for the year ended December 31, 2018. Allocation of the profit for the year; related and consequent resolutions.
2. Proposed purchase, sale and/or disposal of treasury shares; related and consequent resolutions.
3. Remuneration report: resolution pursuant to art. 123-ter, para. 6 of Legislative Decree 58/1998.

Right to attend the Shareholders' Meeting

Pursuant to article 83-sexies of Legislative Decree no. 58/1998, persons entitled to attend the Shareholders' Meeting and exercise their right to vote are those with voting rights at the end of the accounting day on April 17, 2019 ("*record date*"), that is, the seventh market trading day prior to the date of the Shareholders' Meeting and from whom the Company has received, prior to the start of the meeting, the required communication from an authorised intermediary. Those registered as shareholders after that date will not be entitled to attend the Shareholders' Meeting. The communication from the intermediary must be received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting i.e. by April 25, 2019. Shareholders are nevertheless entitled to attend and vote if the communications are received after that deadline, but before the start of the Shareholders' Meeting.

Proxy

Those entitled to vote can have themselves represented at the Shareholders' Meeting by means of a written proxy, bearing in mind any situations of incompatibility and the limits set by current regulations, using the proxy form included at the bottom of the notice issued by the authorised intermediary or facsimile available on the Company's website www.gimatt.it (Investor Relations section). Proxies should be sent to the Company's offices in Via Tolara di Sotto 121/A, Ozzano dell'Emilia (Bologna) to the attention of the Company's legal department by registered mail or by certified e-mail to gima.tt@legalmail.it. If the representative delivers or transmits, even in an electronic format, to the Company a copy of the proxy, he/she must certify, assuming full responsibility, that the proxy corresponds to the original and must also certify the identity of the delegator. There is no provision for postal or on-line voting.

The proxy may be conferred, without any expense for the delegating party (except for any shipping costs), with voting instructions on all or some of the proposals on the agenda, to Società per Amministrazioni Fiduciarie Spafid S.p.A., with registered office in Milan, as Designated Representative of the Company pursuant to art. 135-undecies of Legislative Decree no. 58/98.

The proxy must contain voting instructions on all or some of the proposals on the agenda and only has effect in the case of the proposals for which voting instructions are given. Spafid S.p.A. may not be assigned proxies except in its capacity as Designated Representative of the Company.

The proxy must be conferred by signing the specific proxy form made available, with instructions for completion and transmission, at the registered office and on the Company's website at www.gimatt.it, in the Investor Relations section.

The proxy must be received in original by the aforementioned Designated Representative, by the end of the second open market day prior to the date of the Shareholders' Meeting, i.e. by 11.59 p.m. on April 26, 2019, at the following address: Spafid S.p.A., Foro Buonaparte, 10 – 20121 Milano, ref. "GIMA TT 2019 Shareholders' Meeting proxy", by hand delivery during office hours (from 9.00 a.m. to 5.00 p.m.) or sent by registered letter with return receipt or by courier. While sending in the original proxy complete with voting instructions remains valid, it can also be notified electronically to the certified email address assemblee@pec.spafid.it. Sending the proxy signed with a digital signature pursuant to current legislation to the aforementioned certified e-mail address satisfies the requirement of written form.

The proxy and voting instructions can be revoked up to the end of the second open market day preceding the date set for the Shareholders' Meeting, i.e. by 11.59 p.m. on April 26, 2019 in the manner indicated above.

It should be noted that the shares for which a proxy - even a partial proxy - has been conferred are counted for the purposes of the regular constitution of the Shareholders' Meeting; in relation to proposals for which no voting instructions have been given, the shares are not counted for the purpose of calculating the majority and the share of capital required for approval of the resolutions.

Right to ask questions

In accordance with art. 127-ter of Legislative Decree 58/1998, shareholders can also ask questions about the matters on the agenda prior to the Shareholders' Meeting. The questions, accompanied by the personal details of the requesting shareholder and the certification attesting to the ownership of the shareholding, must be in writing and be received by the deadline of April 27, 2019, either hand-delivered or sent by post, to the administrative offices in Via Tolara di Sotto 121/A, Ozzano dell'Emilia (Bologna), or even by electronic notification to the certified mail address gima.tt@legalmail.it. Questions that arrive by that date will be answered at the Shareholders' Meeting at latest.

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

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

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

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

Information and documentation

The Company's share capital, fully subscribed and paid-in, amounts to € 440,000, split into 88,000,000 shares without par value, each of which gives the right to one vote at the Shareholders' Meeting. As of today, the Company holds 440,550 own shares. This information is also available on the Company's website www.gimatt.it, where the Articles of Association and the Regulations for Shareholders' Meetings can also be found.

The Shareholders' Meeting documentation required under current regulations, including reports on the agenda items and related proposals, as well as the Annual Report and other documents as per art. 154-ter of Legislative Decree 58/1998, the annual report on corporate governance and the ownership structure, will be made available to the public by the legal deadline at the registered office in Via Tolara di Sotto 121/A, Ozzano dell'Emilia (Bologna). Shareholders are entitled to view these documents and to obtain a copy of them. This documentation will also be available on the Company's website www.gimatt.it, in the Investor Relations section, as well as on the authorized storage system eMarket STORAGE at the internet address www.emarketstorage.com.

Report on operations

GIMA TT S.p.A.

Registered office: Ozzano dell'Emilia (Bologna)

share capital fully paid-in: € 440,000.00

registered with the Bologna Companies Register No. 03249061205

The Company is subject to the management and coordination activities of IMA 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

Sergio Marzo

CHIEF OPERATING OFFICER

Fiorenzo Draghetti

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

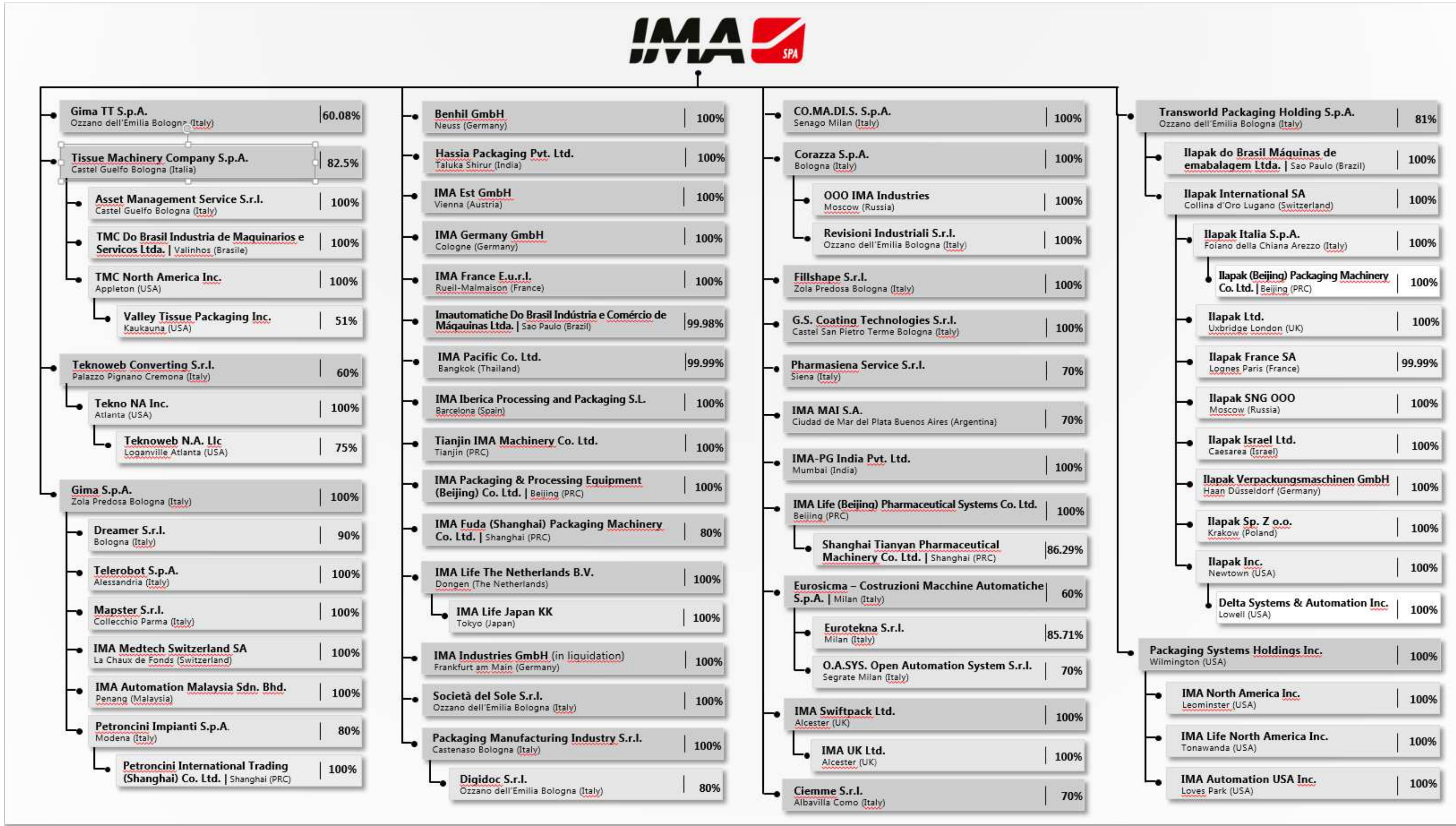
Lorenzo Giorgi

INDEPENDENT AUDITORS

(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



PERFORMANCE OF THE COMPANY

ECONOMIC CONDITIONS

Shareholders,

In the January 2019 update of the World Economic Outlook, the International Monetary Fund (IMF) forecasts global economic growth of 3.5% in 2019 and 3.6% in 2020, compared with 3.7% in 2018.

For Italy, growth forecasts have been downgraded compared with 2018 (1.0%) and stand at 0.6% for 2019 and 0.9% for 2020, in the same way that the Eurozone's forecasts have been downgraded in 2019 and 2020, to 1.6% and 1.7%, respectively, compared with 1.8% in 2018.

Italy and Germany (whose growth rate is falling in 2019 to 1.3%, from 1.5% in 2018) are referred to as braking factors in the Eurozone.

The reasons that contribute to the slowdown in the growth of the European Union are as follows: (i) concerns about an increase in sovereign and therefore financial risk for Italy which has been weighing on domestic demand, (ii) the introduction of new and more rigorous standards for polluting emissions from motor vehicles with regard to Germany, (iii) a general weakening in sentiment towards financial markets and (iv) an expected, and more significant, reduction in Turkey's growth rate. Nor should we forget the effect of tensions in international trade between the United States and the European Union (which is also nearing elections), in the year of "Brexit" and the barricades of the "gilet jaunes" in Paris, situations which generate further market instability.

As for the US, the IMF estimates GDP growth at 2.5% and 1.8%, respectively for 2019 and 2020 (down on the 2018 forecast of 2.9%), where both the "tariff war" with China, begun in 2018, and trade tensions with the Eurozone have taken their toll.

More and more frequently, new uncertainties and instability are created on international markets, with Moscow at the crossroads between the USA and China, the latter now the undisputed ruler of the Asian continent (although with the 2019 growth forecast falling to 6.2% from 6.6% in 2018) and the Middle East a constant theatre of war.

For the IMF, the main political priority for the various countries must be to resolve their trade disagreements and the political uncertainties that they have caused, as quickly as possible, rather than raising further damaging barriers, destabilising a global economy that is already slowing down.

In this macroeconomic context, our Company has again achieved the goals that it set in 2018, generating significant growth in terms of both revenue and profitability compared with the previous year. The marked innovative capacity of GIMA TT in designing machines for packaging tobacco products continues to be appreciated by the market, which confirms the validity of the corporate strategy focused on a constant search for excellence in the design of innovative solutions for tobacco packaging, in particular for new-generation reduced-risk products.

INCOME STATEMENT

The Company closed 2018 with profit for the year of € 51,841 thousand, up by 17.5% on the prior year figure of € 44,117 thousand.

The following table sets out the key elements of the 2018 income statement classified by function together with prior year comparative figures:

	2018		2017		
Euro thousands	Amount	%	Amount	%	Var. %
Revenue	**182.932**		**151.761**		***20,5***
Cost of sales	(99.407)	*54,3*	(77.868)	*51,3*	
Gross profit	**83.525**	***45,7***	**73.893**	***48,7***	***13,0***
Research and development costs	(1.689)		(2.299)		
Selling costs	(2.872)		(3.249)		
General and administrative costs	(6.837)		(7.114)		
Operating profit (EBIT)	**72.127**	***39,4***	**61.231**	***40,3***	***17,8***
Net financial income (expense)	(251)		(117)		
Profit before taxes	**71.876**	***39,3***	**61.115**	***40,3***	***17,6***
Income taxes	(20.035)		(16.997)		
Profit for the year	**51.841**	***28,3***	**44.117**	***29,1***	***17,5***
Gross operating profit (EBITDA) before non-recurring items	**73.021**	***39,9***	**62.957**	***41,5***	***16,0***
Gross operating margin (EBITDA)	**73.021**	***39,9***	**61.698**	***40,7***	***18,4***
Backlog	**53.469**		**110.421**		***(51,6)***

(*) Gross operating profit (EBITDA) corresponds to the sum of operating profit (EBIT), depreciation, amortisation and write-downs.

REVENUE AND ORDERS

The Company reported revenue in 2018 of € 182,932 thousand versus € 151,761 thousand in 2017, being an increase of 20.5% 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.

Orders received in 2018 amount to € 125,980 thousand compared with € 173,579 thousand in the previous year. The backlog at December 31, 2018 was worth € 53,469 thousand compared with € 110,421 thousand at December 31, 2017.

First-time adoption (FTA) of the new IFRS 15 - Revenue from contracts with customers, with effect from January 1, 2018, resulted in a € 2,236 thousand increase in revenue for the start-up of production lines in 2018 and an equivalent increase in costs. For more details, refer to the section on Accounting Policies.

GROSS PROFIT

Gross profit as of December 31 2018 amount to € 83,525 thousands (€ 73,893 thousands in 2017), with an incidence on revenue of 45.7% on 48.7% of 2017. It should be noted that in the absence of the new IFRS 15 the percentage of gross profit on revenue would be approximately 46.2% in the year ended December 31, 2018. Lower profitability in 2018 compared with the previous year is mainly linked to a different mix of products involving the launch of new packaging lines, which initially generate lower profit margins with respect to models already in the catalogue. This profitability is expected to grow progressively as the learning curve and the effect of economies of scale advance.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred in 2018 amounted to € 1,689 thousand, versus € 2,299 thousand in 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 recognised in cost of sales.

During 2018, € 2,300 thousand of development costs were capitalised, of which € 850 thousand were still in progress at December 31, 2018 (compared with € 1,850 thousand in 2017).

SELLING COSTS

In 2018, this item amounted to € 2,872 thousand compared with € 3,249 thousand in 2017. The incidence of selling costs on revenue is 1.6%, down compared with what was recorded in 2017 (2.1% of revenue), mainly due to the reclassification of costs relating to a director to general and administrative costs, as well as to a reduction in promotional and advertising costs.

GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs amounted to € 6,837 thousand in 2018, a decrease versus the costs incurred in 2017, amounting to € 7,114 thousand. The change is mainly due to non-repetition of the costs involved in the stock market listing in 2017 and reclassification of a director's costs, as explained above. The incidence of general and administrative costs on revenue was 3.7%, compared with 4.7% of revenue in 2017.

Operating profit (EBIT)

The operating profit for 2018 amounts to € 72,127 thousand and is equal to 39.4% of revenue, compared with the previous year's result, € 61,231 thousand, which was 40.3% of revenue.

Profit before taxes

Profit before taxes for the year ended December 31, 2018 amounted to € 71,876 thousand, an increase on € 61,115 thousand of 2017.

Profit for the year

Profit for the year amounted to € 51,841 (28.3 of revenue) versus € 44,117 thousand of 2017 (29.1% of revenue) after income taxes of € 20,035 thousand (€ 16,997 thousand in 2017).

STATEMENT OF FINANCIAL POSITION

The Company's statement of financial position at December 31, 2018 and December 31, 2017 is summarized below:

	2018		2017		
Euro thousands	Amount	%	Amount	%	Chang. %
Trade receivables and advances to suppliers	60.970	*157,2*	30.905	*(2.621,3)*	*97,3*
Inventories	18.928	*48,8*	21.372	*(1.812,7)*	*(11,4)*
Trade payables and advances from customers	(42.278)	*(109,0)*	(56.876)	*4.824,1*	*(25,7)*
Other, net (*)	(7.131)	*(18,4)*	(928)	*78,7*	*668,4*
Working capital	**30.489**	***78,6***	**(5.527)**	***468,8***	***(651,6)***
Property, plant and equipment	1.871	*4,8*	1.361	*(115,4)*	*37,5*
Intangible assets	4.657	*12,0*	2.507	*(212,6)*	*85,8*
Assets	2.228	*5,7*	–	*0,0*	*0,0*
Receivables and deferred tax assets	1.336	*3,4*	1.072	*(90,9)*	*24,6*
Non-current assets	**10.092**	***26,0***	**4.940**	***(419,0)***	***104,3***
Employee severance indemnities and other non-cu	(1.785)	*(4,6)*	(592)	*50,2*	*201,6*
Net capital employed	**38.796**	***100,0***	**(1.179)**	***100,0***	***(3.389,8)***
Net financial position (A)	**17.687**	***45,6***	**45.788**	***(3.883,6)***	***(61,4)***
Shareholders' equity (B)	**56.483**	***145,6***	**44.609**	***(3.783,6)***	***26,6***
Total sources of funding (B) - (A)	**38.796**	***100,0***	**(1.179)**	***100,0***	***(3.390,6)***

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

The growth in net working capital is due to the increase in trade receivables and contract assets because of the timing of deliveries of lines to customers, and to the reduction in trade payables and advances from customers, including contract liabilities; all of this was only partially offset by the reduction in receivables from the tax authorities and by higher payables for income taxes (both items included in "Other, net").

Non-current assets increased by a total of € 5,152 thousand on December 31, 2017 due to the acquisition of 20% of the capital in AMT Labs S.p.A., for an amount of € 2,228 thousand, and the effect of the capitalization of development costs totalling € 2,300 thousand, of which € 850 thousand still outstanding at December 31, 2018.

Negative net capital employed at December 31, 2018 amounted to € 38,796 thousand, up on the December 31, 2017 figure (negative amount of € 1,179 thousand). The increase is mainly due to the rise in working capital, which at the end of the year amounted to € 30,489 thousand compared with a negative amount of € 5,527 thousand at the end of 2017, and, to a lesser extent, to the growth in non-current assets, equal to € 10,092 thousand at December 31, 2018 (compared with € 4,940 thousand at December 31, 2017).

The net financial position is positive at December 31, 2018 and is equal to € 17,687 thousand, against the figure at December 31, 2017 of € 45,788 thousand. The composition of the net financial position at December 31, 2018 and December 31, 2017 is as follows:

Euro thousands	2018	2017
A. Cash	6	8
B. Cash equivalents	17.681	45.780
C. Trading securities	0	0
D. Liquidity (A) + (B) + (C)	**17.687**	**45.788**
E. Current financial receivables	**0**	**0**
F. Current bank liabilities	0	0
G. Current portion of non-current debt	0	0
H. Other current financial payables	0	0
I. Current financial indebtedness (F) + (G) + (H)	**0**	**0**
J. Net financial position, net of current indebtedness (D) + (E) – (I)	**17.687**	**45.788**
K. Non-current bank loans	0	0
L. Bonds issued	0	0
M. Other non-current payables	0	0
N. non-current financial activities	0	0
O. Non-current financial indebtedness (K) + (L) + (M) + (N)	**0**	**0**
P. Net financial position (J) + (O)	**17.687**	**45.788**

The balance of the net financial position for the year ended December 31, 2018, equal to € 17,687 thousand , includes a total disbursement of € 42,198 thousand relating to: (i) payment of the dividend, which took place in May 2018 for an amount of € 36,960 thousand, (ii) the purchase of own shares for an amount of € 3,010 thousand and (iii) the acquisition of a 20% minority interest in the capital of the company AMT Labs S.p.A. for an amount of € 2,228 thousand. The effect of the trend in net working capital, which absorbed liquidity for an amount of € 36,016 thousand, must also be considered. Investment in property, plant and equipment and intangible assets, as described in the following point, continues to have a minor impact on the change in cash.

CAPITAL EXPENDITURE

During 2018 the Company made investments in property, plant and equipment for an amount of € 874 thousand (€ 941 thousand in the previous year), mainly for improvements to third-party assets and plants.

In the same year, the Company made investments in property, plant and equipment for € 2,755 thousand (€2,200 thousand the previous year), of which € 850 thousand in assets in progress and advances, which mainly refer to development costs. These are for projects related to new technologies involving systems for closing and sealing packages, which are expected to be used in the coming years.

In May 2018, the Company invested € 2,228 thousand to acquire a 20% minority interest in AMT Labs S.p.A., a newly formed company dedicated to the development of innovative eco-sustainable, 100% biodegradable materials for the tobacco industry. The other 80% of this company is owned by Bio-on S.p.A., a listed company.

FINANCIAL INDICATORS

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

STRUCTURE RATIO

		2018	2017
Fixed asset coverage	*Equity / Fixed assets*	8.65	11.53

FINANCIAL RATIOS

		2018	2017
Availability ratio	Short-term assets / Short-term liabilities	1.58	0.92
Liquidity ratio	Short-term assets - Closing inventories / Short-term liabilities	1.22	0.62
Indebtedness ratio	Total liabilities / Total liabilities + Equity	0.49	0.62

PROFITABILITY RATIOS

		2018	2017
Return on sales (ROS)	*Operating profit / Revenue*	39.4%	40.3%
Return on investment (R.O.I.)	*Operating profit / Net capital employed*	185.9%	(*)
Return on equity (ROE)	*Profit for the year / Equity*	91.8%	98.9%

(*): Net capital employed at 12/31/2017 negative.

ALTERNATIVE PERFORMANCE INDICATORS

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

With regard to these indicators, on December 3, 2015, CONSOB issued its Communication no. 92543/15 which makes the Guidelines issued on October 5, 2015 applicable by the European Security and Markets Authority (ESMA) for their presentation in regulated information distributed or prospectuses published from July 3, 2016 onwards. These Guidelines, which update the previous Recommendation (CESR/05-178b), are intended to promote the usefulness and transparency of alternative performance indicators included in regulated information or prospectuses falling within the scope of Directive 2003/71/EC, in order to improve its comparability, reliability and comprehensibility. The Company's method of calculating these figures may not be the same as that used by other companies, so the indicators may not be comparable. In line with these communications, the criteria used to construct such indicators are provided below.

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

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

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

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

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

HUMAN RESOURCES, TRAINING AND INDUSTRIAL RELATIONS

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

The Company employed an average number of 156 persons in 2018, of which 70% were white collars or managers, reflecting the high level of professionalism:

	2018	2017	Change
Managers	6	5	1
White-collar workers	104	76	28
Blue-collar workers	46	32	14
Total	**156**	**113**	**43**

Personnel costs in 2018 amounted to € 17,750 thousand, up on the prior year figure of € 14,803 thousand, reflecting the increase in the workforce indicated above. As a percentage of revenue, personnel costs came to 9.70% in 2018, versus 9.75% in 2017.

Training activities involved about 9,309 hours of classroom education, in addition to on-the-job training; the principal topics were: specialist training, professional refresher courses, safety in the workplace and management skills development.

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

HEALTH, SAFETY AND THE ENVIRONMENT

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

As confirmation of the above, in 2018, a total of 1,473 training hours were devoted to staff in relation to specific aspects of safety and hygiene in the workplace, involving almost all employees. Above all, we can confirm that, within the Company, a culture of safety is pursued by involving all those who are in charge of the company.

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

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

The Company obtained the BS OHSAS 18001 certification of the Safety at Work Management System in 2016.

TRANSACTIONS WITH PARENT COMPANIES AND AFFILIATES

During the course 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 financial statements.

RELATED PARTY TRANSACTIONS

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

On February 15, 2019, following the favourable opinion of the Internal Control and Risk Committee, the Board of Directors approved a review of its own procedure for related party transactions, which defines the rules, modalities and principles aimed at ensuring the transparency and the substantial and procedural fairness of transactions with related parties.

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

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

Significant related party transactions are submitted for advance approval by the Board of Directors, which in turn has to obtain consent from a special committee made up solely of independent directors; to arrive at its opinion, this committee may seek the advice of independent experts. Further information on related party transactions is provided in the notes to the Company’s financial statements.

HEADQUARTERS AND LOCAL UNITS

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

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

The local units in Via Liguria and Via Rinascita, Ozzano dell'Emilia (Bologna) were closed as of January 1, 2019, when the rent contracts were transferred to the parent company IMA S.p.A.

OTHER INFORMATION

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

No significant non-recurring events or transactions were reported during the 2018 financial year.

ATYPICAL OR UNUSUAL TRANSACTIONS

No positions or operations deriving from atypical or unusual transactions arose during 2018.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

With the exception of what was previously indicated in the section "Related party transactions", concerning the review of the procedure on transactions with related parties resolved by the Board of Directors on February 15, 2019 and to which reference should be made, there are no other significant events to report.

OUTLOOK FOR OPERATIONS

Having turned in a very good 2018 in terms of both revenue and profitability, the Company ended the year with an order backlog that suggests that 2019 should be positive, even if revenue is likely to be lower than in 2018.

Moreover, during the first few months of the current year, there have been interesting negotiations and orders that will make it possible to continue diversification of the Company's customer base and expansion of the product range, an activity that was already started last year.

In light of the above, we believe that we can assume a 2019 with revenue in the order of € 110 million with a gross operating margin (EBITDA) of around € 40 million.

PRINCIPAL RISKS AND UNCERTAINTIESTO WHICH THE COMPANY IS EXPOSED

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

- limited market: the market in which the Company operates is characterised by the presence of a few global players; the Company's sales are concentrated in a limited number of key customers. The risk associated with this reliance on a limited number of key customers is considered to be remote due to the size, earnings and reliability of the multinational customers with which the Company operates. To face this risk, as mentioned in the previous section, already in 2018 the Company has accelerated the diversification of its customer base, concluding a new important contract and expanding the product range, with a first line for the packaging of electronic cigarettes (vaping products). Along with diversifying its customer base in the tobacco world, GIMA TT is making a considerable effort to ensure that its extraordinary capacity for innovation of its automatic machines is made available to other sectors, expanding opportunities for collaboration with all the main players in the tobacco market, both on conventional and new-generation reduced-risk products, and pursuing the idea of designing and producing machines for all sectors that require innovative and sustainable packaging.

- staff competence: human resources are a critical success factor for the Company. The Company therefore considers proper HR management as a matter of the highest importance. In order to increase its ability to attract and keep highly qualified staff, the Company constantly refines its recruitment process for its strategically important positions and rewards staff with contractual conditions that are better than those offered on average in the sector;
- technology protection: the Company's market sector is characterised by the planning and production of products with a high technological content which run the risk that competitors might try to replicate the technologies used. In order to counter such risk the Company invests heavily in intellectual property and holds a large number of registered patents.

FINANCIAL RISK MANAGEMENT POLICY AND OBJECTIVES

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

Financial risk factors

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

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
  a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;

b) Interest rate risk, relating to the Company's exposure to interest-bearing financial instruments;

c) Price risk, due to a change in the price of equity instruments shown under financial assets and in commodity prices.

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

TREASURY SHARES

During 2018, the Company carried out transactions in its own equity instruments having acquired a total of 440,500 treasury shares for € 3,010 thousand in compliance with the authorisation given by the Shareholders' Meeting of April 27, 2018; therefore at December 31, 2018 the treasury shares in portfolio amounted to € 3,010 thousand, corresponding to 440,500 shares. The related official market value at December 31, 2018 is equal to € 2,890 thousand.

LEGISLATIVE DECREE 231/2001

The Board of Directors of the Company, with resolution dated November 14th, 2018, updated the organisation, management and control model envisaged by Decree 231 of June 8, 2001 concerning the administrative responsibility of legal persons.

The organisation, management and control model consists of several special parts and a general part; the latter explains the Company's corporate governance structure and the way that the Supervisory Committee is established and functions, along with an explanation of the system of sanctions. The types of crimes that the model is designed to prevent are (by way of example):

- crimes against the public administration;
- corporate crimes;
- market abuse;
- computer crimes;
- crimes against the person;
- crimes against industry and commerce and copyright;
- hygiene, health and safety at work;
- transnational crimes;
- receiving, laundering and using money, goods or assets of illicit origin;

- employing illegal immigrants.

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

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

The Supervisory Committee comprises:

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

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

The members of this body have the necessary requisites of autonomy and independence to be able to perform the tasks entrusted to them.

Over the years, the Organisation, Management and Control Model has undergone an in-depth updating and review in order to adapt it to the current organisational, administrative and accounting structure of the Company and to the regulatory, jurisprudential and doctrinal changes that have occurred regarding Legislative Decree 231/2001.

The Organisation, Management and Control Model and the Code of Ethics are available on the Company's website: http://www.gimatt.it.

DISCLOSURE OF NON-FINANCIAL INFORMATION

Even though GIMA TT S.p.A. is a public interest entity included in the scope of application of Legislative Decree 254 of December 30, 2016, for "implementation of Directive 2014/95/EU of the European Parliament and Council of October 22, 2014, amending Directive 2013/34/EU on the communication of non-financial information and information on diversity by certain companies and certain large groups", it is not subject to the obligation to draw up the individual declaration of a non-financial nature: in fact, GIMA TT is included in the consolidated non-financial declaration issued by the parent company IMA Industria Macchine Automatiche SpA.

CORPORATE GOVERNANCE AND CODE OF CONDUCT

The Company subscribes to and enforces the Code of Conduct for Listed Companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, ASSOGESTIONI, ASSONIME and CONFINDUSTRIA, with the exceptions indicated in the Report on Corporate Governance and Ownership Structure prepared in accordance with art. 123 bis CFA.

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

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

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

Luca Maurizio Duranti

- Corvallis S.p.A. (Director)
- Alkemia SGR S.p.A. (Director)
- LRW S.r.l. (Director)
- Maccorp Italiana S.p.A. (Director)

Francesco Mezzadri Majani

- Fondazione del Monte di Bologna e Ravenna (Chairman of Investment Committee)
- Majani 1796 S.p.A. (Chairman and Chief Operating Officer)
- Velluto S.r.l. (Vice Chairman)
- VMM Finanziaria S.p.A. (Chairman and Chief Operating Officer)

Paola Alessandra Paris

- Agnelli Metalli S.p.A. (Statutory Auditor)
- Croce Rossa Italiana – Comitato Milano Sud Est (Director)

Alessandra Stabilini

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

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

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

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE IN COMPLIANCE WITH ART. 123 BIS OF THE CONSOLIDATED FINANCE ACT (CFA)

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

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

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

Share capital (fully subscribed and paid up) at December 31, 2018 amounted to € 440,000.00, consisting of 88,000,000 ordinary shares with no par value.

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

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

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

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

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

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

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

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

The Company is subject to management and coordination by I.M.A. Industria Macchine Automatiche S.p.A. pursuant to and for the purposes of Arts. 2497 et seq. of the Italian Civil Code.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Shareholders' Meeting, held on April 27, 2018, approved the purchase of treasury shares pursuant to article 2357 of the Civil Code, under a mandate with a duration of 12 months. The Shareholders' Meeting thus authorized the Board of Directors to purchase the Company's treasury shares up to the maximum permitted by law and within the limits of the available reserves and distributable profits as reported in the most recent approved financial statements, as well as to sell or make use of such treasury shares. The Company exercised its right to carry out transactions in its own shares: at the end of the year, GIMA TT holds 440,500 own shares; this holding derives from purchases made from November 16 to December 21, 2018 since, before the execution of this program, the Company did not hold treasury shares.

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

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

OTHER INFORMATION

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

According to art. 2428, para 3, 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.

Financial statements as of December 31, 2018

GIMA TT S.p.A.

Registered office: Ozzano dell'Emilia (Bologna)

share capital fully paid-in: € 440,000.00

registered with the Bologna Companies Register No. 03249061205

The Company is subject to the management and coordination activities of IMA S.p.A..

STATEMENT OF FINANCIAL POSITION

(€ THOUSANDS)

ASSETS	Not	2018	2017
NON-CURRENT ASSETS			
Property, plant and equipment	1	1.871	1.361
Intangible assets	2	4.657	2.507
Equity investments	3	2.228	–
Receivables		12	3
Deferred tax assets	4	1.324	1.069
TOTAL NON-CURRENT ASSETS		10.092	4.940
CURRENT ASSETS			
Inventories	5	18.928	21.372
Trade and other receivables	6	20.729	20.053
Contract Assets	6	43.670	24.036
Cash and cash equivalents	7	17.687	45.788
TOTAL CURRENT ASSETS		101.014	111.249
TOTALE ASSETS		**111.106**	**116.189**

SHAREHOLDERS' EQUITY AND LIABILITIES	Not	2018	2017
SHAREHOLDERS' EQUITY			
Share capital	8	440	440
Reserves	9	4.202	52
Net profit for the year		51.841	44.117
TOTAL SHAREHOLDERS' EQUITY		56.483	44.609
NON-CURRENT LIABILITIES			
Liabilities for employees' benefits	10	126	129
Other payables	11	1.659	463
TOTAL NON-CURRENT LIABILTIES		1.785	592
CURRENT LIABILITIES			
Trade and other payables	11	45.989	48.717
Contract Liabilities	11	2.933	15.749
Income tax payables	12	2.566	4.821
Provisions for risks and charges	13	1.350	1.702
TOTAL CURRENT LIABILITIES		52.838	70.988
TOTAL LIABILITIES		54.623	71.580
TOTAL SHAREHOLDERS 'EQUITY AND LIABILITIES		**111.106**	**116.189**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE STATEMENT OF FINANCIAL POSITION ARE SHOWN IN NOTE 27.

INCOME STATEMENT

(€ THOUSANDS)

	Nota	2018	2017
REVENUE FROM CONTRACTS WITH CUSTOMERS	14	182.932	151.761
OTHER REVENUE	15	3.519	2.458
OPERATING COSTS			
Changes in inventories of finished, semi-finished and finished products		(5.076)	3.023
Changes in inventories of raw, ancillary and consumable goods		2.632	178
Cost of raw, ancillary and consumable materials and goods for resale	16	(62.563)	(52.766)
Services, rentals and leases	17	(30.610)	(27.356)
Personnel costs	18	(17.750)	(14.803)
Depreciation and amortization	19	(895)	(466)
Provisions		352	(478)
Other operating costs	20	(414)	(319)
TOTAL OPERATING COSTS		(114.324)	(92.987)
- including impact of non-recurring items			*(1.259)*
OPERATING PROFIT		72.127	61.231
- including impact of non-recurring items			*(1.259)*
FINANCIAL INCOME AND EXPENSE			
Financial income	21	4	64
Financial expense	22	(255)	(181)
TOTAL FINANCIAL INCOME AND EXPENSE		(251)	(117)
PROFIT BEFORE TAXES		71.876	61.115
TAXES	23	(20.035)	(16.997)
NET PROFIT FOR THE YEAR		**51.841**	**44.117**
AVERAGE NUMBER OF ORDINARY SHARES		87.968.457	88.000.000
BASIC/DILUTED EARNINGS PER SHARE (IN Euro)	**24**	**0,59**	**0,50**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE INCOME STATEMENT ARE SHOWN IN NOTE 27.

STATEMENT OF COMPREHENSIVE INCOME

(€ THOUSANDS)

	Not	2018	2017
Net profit for the year		51.841	44.117
Other components of comprehensive income which will not be subsequently reclassified to profit or loss for the year:			
Actuarial gains (losses) arising on defined benefit plans	10	4	(3)
Tax effect		(1)	1
Total other components of comprehensive income which will not be reclassified to profit or loss for the year		**3**	**(2)**
Gains (losses) booked to equity		**3**	**(2)**
Total comprehensive income		**51.844**	**44.115**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ THOUSANDS)

	Share Capital	Share premium reserve	Treasury Share	Reserve for actuarial Valutation severance indemnities	Other reserve	Retaine earnings	Net profit for the year	Total shareholders' equity
As of 01.01.2017	**110**	**132**	**-**	**(4)**	**24**	**-**	**27.233**	**27.495**
Increase in capital	330	(132)	–	–	–	(198)	–	–
Allocation of net profit for 2016								
- Distribution of dividends						(27.001)		(27.001)
Transfer to reserves						27.233	(27.233)	–
Net profit for the year							44.117	44.117
Gain (loss) on discounting employee severance indemnities				(2)				(2)
As of 31.12.2017	**440**	**-**	**-**	**(6)**	**24**	**34**	**44.117**	**44.609**
Increase in capital								
Allocation of net profit for 2017:								
- Distribution of dividends						(36.960)		(36.960)
Transfer to reserves					7.157	36.960	(44.117)	–
Purchased Treasury Share			(3.010)					(3.010)
Net profit for the year							51.841	51.841
Gain (loss) on discounting employee severance indemnities				3				3
As of 31.12.2018	**440**	**-**	**(3.010)**	**(3)**	**7.181**	**34**	**51.841**	**56.483**

AS REGARDS THE COMPOSITION OF SHAREHOLDERS' EQUITY, PLEASE REFER TO NOTES 8 AND 9.

STATEMENT OF CASH FLOWS

(€ THOUSANDS)

	Nota	2018	2017
OPERATING ACTIVITIES			
Net profit for the year		51.841	44.117
Adjustments for:			
- Depreciation and amortization	19	895	466
- (Gain) or loss on disposal of fixed assets		74	46
- Change in provisions for risks and charges and liabilities for employee benefits and other non-current payables	10,11	841	940
- Other non-monetary changes		251	978
- Taxes	23	20.035	16.997
Profit from operating activities before changes in working capital		73.937	63.545
(Increase) or decrease in trade and other receivables	6	(20.563)	(15.680)
(Increase) or decrease in inventories	5	2.444	(3.201)
Increase or (decrease) in trade and other payables	11	(16.019)	3.988
Taxes paid		(21.813)	(17.861)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		17.986	30.791
INVESTING ACTIVITIES			
Additions to property, plant and equipment	1	(874)	(941)
Additions to intangible assets	2	(2.755)	(2.200)
(Increase) or decrease in financial receivables from the Parent Company		–	7.624
Investing in Assets	3	(2.228)	–
CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)		(5.857)	4.483
FINANCING ACTIVITIES			
Other changes in financial assets/liabilities		(9)	7
Dividends paid	9	(36.960)	(27.001)
Interest paid	22	(255)	(181)
Interest received	21	4	64
Purchased Treasury Share	9	(3.010)	–
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(40.230)	(27.110)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		**(28.101)**	**8.164**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	7	**45.788**	**37.624**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F=D+E)	7	**17.687**	**45.788**

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018

GIMA TT S.p.A.

Registered office: Ozzano dell'Emilia (Bologna)

share capital fully paid-in: € 440,000.00

registered with the Bologna Companies Register No. 03249061205

The Company is subject to the management and coordination activities of IMA S.p.A..

A) OVERVIEW

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

The Company has been listed on the STAR segment of the screen-traded market (MTA) run by Borsa Italiana S.p.A. since October 2, 2017.

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

These financial statements for the year ended December 31, 2018 were prepared and submitted by the Board of Directors on March 15, 2019 and have been audited by EY S.p.A.

B)BASIS OF PREPARATION

General principles

The financial statements for the year ended December 31, 2018 have been prepared in accordance with applicable International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and the related interpretations (SIC/IFRIC) issued to date by the Standing Interpretations Committee. IFRSs were adopted in 2013.

The Company's financial statements have been prepared on a going-concern basis, since there are no significant doubts or uncertainties about its ability to continue in business for the foreseeable future.

Financial statements

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

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

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities. Under this method, the profit for the year is adjusted for the effects of non-monetary transactions, any deferral or accrual of past or future operational collections and payments, any accrued cash movements, revenue or costs deriving from cash flows attributable to investing or financing activities. The Company classifies interest and dividends paid and received as cash flows from financing activities.

The figures contained in the financial statements for the year ended December 31, 2018 are stated in thousands of euros, except where otherwise indicated.

C) ACCOUNTING POLICIES

The more significant accounting policies are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated useful lives, as follows:

- Buildings: from 10 to 34 years;
- Plant and machinery: from 5 to 10 years;
- Industrial and commercial equipment: 4 years;
- Other assets: from 4 to 9 years.

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

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

If they meet the requirements for recognition, leasehold improvements are depreciated over their useful life or, if lower, over the term of the lease.

Maintenance costs are charged to the income statement in full when incurred. When tangible assets require replacement at regular intervals, the cost of the part being replaced is eliminated from the carrying value of the asset and the cost of the replacement is capitalised.

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

INTANGIBLE ASSETS

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

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

- Industrial patent rights and rights
  Use of intellectual property: from 5 to 15 years;
- Software, licences and similar rights: 5 years;
- Development costs: from 5 to 15 years.

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

Research costs are charged to the income statement as incurred. Development costs that qualify for capitalization as assets under IAS 38 - *Intangible Assets* (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are amortized in relation to their future economic utility. Amortization begins from the moment the products become available for economic use. The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

IMPAIRMENT OF ASSETS

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

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

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

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

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

FINANCIAL ASSETS

On initial recognition, financial assets are classified according to the following methods: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVPL).

The classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Company uses to manage them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value, plus transaction costs in the case of a financial asset not measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are valued at the price of the transaction determined in accordance with IFRS 15. Please refer to the paragraph on accounting principles - Revenue from contracts with customers. For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend only on the principal and interest on the amount of principal to be repaid (so-called "solely payments of principal and interest (SPPI)"). This measurement is referred to as an SPPI test and is carried out on the individual instrument.

For the purposes of subsequent valuation, financial assets are classified into four categories:

Financial assets at amortized cost

The Company evaluates financial assets at amortized cost if both of the following requirements are met:

- the financial asset is held within the framework of a business model the objective of which is the possession of financial assets aimed at collecting contractual financial flows and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment testing. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI

The Company assesses the assets from debt instruments at fair value recorded in the comprehensive income statement if both of the following conditions are satisfied:

- the financial asset is held within the framework of a business model, whose objective is achieved through the collection of contractual cash flows and through the sale of the financial assets, and
- the contractual terms of the financial asset include cash flows on certain dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

For debt instruments measured at fair value through OCI, interest income, changes for exchange differences and impairment losses, together with write-backs, are recognized through profit or loss and calculated in the same way as financial assets valued at amortised cost. Other changes in fair value are recognized in OCI. On elimination, the cumulative change in fair value recorded in OCI is reclassified to profit or loss.

Capital expenditure in equity instruments

On initial recognition, the Company can irrevocably choose to classify its equity investments as equity instruments valued at fair value through OCI when they meet the definition of equity instruments pursuant to IAS 32 "Financial Instruments: Presentation" and are not held for trading. Each instrument is classified individually.

The profits and losses on these financial assets are never booked to the income statement. Dividends are recognized as other revenue in the income statement when the right to payment has been authorised, except when the Company benefits from these proceeds as recovery of part of the cost of the financial asset, in which case these profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must necessarily be measured at fair value. Assets held for trading are all those assets acquired with a view to selling or repurchasing them in the short term. Derivatives, including those that are unbundled, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value through profit or loss are recorded in the statement of financial position at fair value and net changes in fair value are recorded in the statement of profit or loss for the year.

At December 31, 2018, the Company does not hold any financial assets at amortised cost, investments in equity instruments and financial assets at fair value through profit or loss.

INVENTORIES

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

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

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

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

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, as foreseen by IAS 59.

For further information on receivables and contract assets, please refer to the comments in the section on Revenue from contracts with customers .

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity. No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares.

Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

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

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

EMPLOYEE BENEFITS

Employee benefits mainly include the provision for staff severance indemnities. As a result of the reform of the supplementary pension scheme, introduced by Law 296 of December 27, 2006 (the Finance Act 2007), the Company calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued subsequently has been treated as a defined-contribution plan.

The Company's net liabilities for defined-benefit plans are determined by estimating the present value of the future benefits that employees have accrued in the current and previous financial years and deducting the fair value of any assets held to service the plan. Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined on the basis of demographic assumptions, statistics and wage trends.

BORROWINGS

Financial liabilities are divided by IFRS 9 into financial liabilities at amortized cost and financial liabilities measured at fair value through profit or loss (FVPL).

Borrowings are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of a financial liability.

The financial liability is eliminated when it is extinguished, i.e. when the obligation specified in the contract is fulfilled, cancelled or expired.

As of December 31, 2018, the Company does not have any financial liabilities measured at fair value with changes recognized through profit or loss.

GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Company will comply with all the conditions established for receipt of the grants, and that such grants will actually be received. They are recorded using the income method. It should be noted that the Company included in the explanatory notes the information required by Article 1, paragraph 125, of the Law of 4th August 2017, n. 124.

TAXES

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

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

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

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

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

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers are recognized on the basis of the following 5 steps: (i) identification of the contract with the customer; (ii) identification of performance obligations to be transferred to the customer in exchange for the consideration; (iii) identification of the contractual consideration; (iv) allocation of the consideration to the individual performance obligations; (v) recognition of revenue when each performance obligation is satisfied.

Revenue is recognized for an amount that reflects the consideration to which the Company believes it is entitled to fulfil its obligation, with the transfer of the goods or service when the customer acquires control.

The main Company's revenue stream are:

- machines and construction contracts,
- formats (which determine the form of the product),
- spare parts and other materials,
- technical assistance.

Contract work and part of technical assistance, in particular start-up services, represent obligations to be fulfilled over time. The method of assessing progress in the fulfilment of contract work in progress, relating to projects carried out according to the specific needs of the customer, is the cost-to-cost input method that makes it possible to account for revenue based on the effort (costs) that the Company makes to satisfy the performance obligation guaranteed to the customer on the total inputs that it expects to have to use to complete it (contract budget).

This measurement reflects the best estimate of project costs at the reporting date. The directors base their estimates on the information deriving from the internal reporting, forecasting and accounting system, as well as examining and, where necessary, revising the estimates of revenue and cost to the various stages of completion of the contract. Any economic effects are recorded in the period when the updates are made.

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

The machines, the formats, the spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time. Revenue from the sale of products is recognized when title passes, i.e. when the significant risks and benefits of ownership are transferred to the buyer. The moment of transfer of control coincides with the transfer of ownership or possession of the property to the purchaser and therefore generally with shipment of the goods or completion of the service.

The Company generally receives short-term advances from customers. The agreed amount of the consideration is not adjusted to take into account the effects of any significant financing if, at the start of the contract, the time lag between the moment that the Company transfers the asset or completes the service and the moment that it receives the money is not expected to exceed 12 months.

The balance sheet exposure is as follows:

- Contract assets: the right to a fee in exchange for goods or services transferred to the customer. If the order is fulfilled before payment of the consideration or before payment is due, the work is presented as a contract asset, excluding any amounts that are shown as receivables. At each balance sheet date the

Company verifies whether the contract asset has suffered impairment in accordance with IFRS 9;

- Receivables: the unconditional right to the consideration. The right to compensation is unconditional if only the passage of time is needed to make the payment due. At each balance sheet date, the Company verifies any reduction in value in accordance with IFRS 9;
- Contract liabilities: the obligation to transfer goods or services to the customer for which a consideration has been received from the customer. If the customer pays the consideration before the good or service is transferred, the contract is presented as a contract liability at the time the payment is made.

The contract assets and contract liabilities relating to existing contracts are shown net in the statement of financial position as follows:

- the amount due from customers for contract work in progress is recorded as a contract asset when it exceeds any advances that have been received;
- advances received on contract work in progress are recorded as a liability, under the item Contract Liabilities when they exceed the relative amount owed by the customers.

This analysis is carried out for each individual project.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

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

Transactions and balances

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

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

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

DIVIDENDS

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

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of the Company's profit to the weighted average number of ordinary shares outstanding in the year.

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

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

USE OF ESTIMATES AND ASSUMPTIONS

Preparing financial statements requires management to use accounting principles and methods which, in certain cases, depend on difficult and subjective 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 them, is contract work in progress relating to the production of machinery, where costs and revenue have to be estimated at the reporting date, taking into account 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 revenue on contract work in progress at the reporting date. The directors base their estimates on the information deriving from the internal reporting, forecasting and accounting system, as well as examining and, where necessary, revising the estimates of revenue and cost to the various stages of completion of the contract.

OPERATING SEGMENTS

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

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

This standard specifies that an operating segment consists of a group of activities and operations that can easily be distinguished and which can match interrelated products and services, subject to risks and benefits that are different from those in other areas of activity.

For management purposes, the activity carried on by the Company has been grouped together in a single Strategic Business Unit, which contains the entire business. This approach stems from the fact that the only activity carried on is the production of tobacco packaging equipment and machinery and related after-sales services, bearing in mind all of the following aspects:

(a) same kind of products and services;

(b) same kind of production process;

(c) same clusters of customers for products and services;

(d) same methods for selling products and services; and

(e) same kind of regulatory environment.

IMPLEMENTATION OF ACCOUNTING POLICIES

Accounting principles, amendments and interpretations applied from January 1, 2018

The main accounting principles in force since January 1, 2018 are IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

IFRS 15 was issued in May 2014 and introduced a new model for the recognition of revenue deriving from contracts with customers on the basis of the following 5 steps: (i) identification of the contract with the customer; (ii) identification of performance obligations to be transferred to the customer in exchange for the consideration; (iii) identification of the contractual consideration; (iv) allocation of the consideration to the individual performance obligations; (v) recognition of revenue when each performance obligation is satisfied.

The accounting principles in force until December 31th, 2017 provided for the recognition of the revenue it was probable that the economic benefits would be realized and the amount involved could be reliably determined; it was then measured at the fair value of the consideration received or due. Revenue from the sale of products was recognized when title passes, i.e. when the significant risks and benefits of ownership are transferred to the buyer. The transfer of title coincided with the transfer of the ownership or possession of the goods to the buyer, which generally coincided with shipping. The only exception relates to revenue from construction contracts which was recognized on a percentage-of-completion basis.

The new accounting principles IFRS 15 provides for the recognition of revenue for an amount that reflects the consideration to which the entity believes to be entitled in exchange for the transfer of goods or services to the customer. The new standard will replace all current IFRS requirements regarding the recognition of revenue and is effective for annual periods beginning on or after January 1, 2018.

In 2016 and 2017, the Company assessed the effects of IFRS 15, which showed that the method of accounting for revenue streams appears to be substantially consistent with the principles contained in the new standard. Adopting the new IFRS 15, which the Company applied with the revised retrospective method with effect from January 1, 2018, involved identifying the following revenue streams: machines and contracts in progress, formats, spare parts and other materials, and technical assistance. Application of this standard only entailed a different presentation of the performance obligation linked to technical assistance in progress and, in particular, to commissioning services. This change had an incremental effect on revenue and on the costs of technical assistance in 2018 of the same amount corresponding to approximately € 2.236 million, so with a zero impact on the result for the year and on shareholders' equity at January 1, 2018. Application of the new principle has not had significant impacts on the Company's assets and liabilities, results or financial position.

The reconciliation between the items of the statement of financial position as January 1st, 2018 is shown below:

		Classification based as of IFRS 15	
Euro thousands		Trade and other receivables	Contract Assets
Classification based of the previous principles			
Trade and other receivables	64.399	20.729	43.670
Euro thousands		Trade and other payables	Contract Liabilities
Classification based of the previous principles			
Trade and other payables	48.922	45.989	2.933

As required by the standard, contractual assets and liabilities have been shown separately from Trade and other receivables and Trade and other payables. As regards the new disclosure requirements, reference should be made to note 6 Trade and other receivables and contract assets, note 11 Trade and other payables and contract liabilities and note 14 Revenue from contracts with customers.

IFRS 9 was issued in its final version in July 2015 and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for financial years beginning on or after January 1, 2018. With the exception of hedge accounting, retrospective application of the standard is required, but it is not mandatory to provide comparative information. With regard to hedge accounting, it should be noted that the Company does not hold hedging instruments and therefore is not affected by this change.

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.

Classification and Measurement

IFRS 9 introduces a new approach for the classification of all financial instruments, including derivatives embedded in other financial instruments, based on the logic of the "cash flow" and the "business model" for which the asset is held, replacing the previous rules that turned out to be difficult to apply.

The Company has verified the methods for classifying the financial instruments envisaged by IAS 39 with respect to the new criteria envisaged by IFRS 9 and concludes that application of the new standard has not had any significant impact on the Company's equity, results or financial position.

For details of the items reported, see Note 3 Financial assets.

Impairment

IFRS 9 replaces the incurred loss model required by IAS 39 with a forecasting model of "expected credit loss" (ECL). The model assumes a significant level of assessment regarding the impact of changes in economic factors on the ECL that will be weighted according to probabilities. The new impairment loss model applies to financial assets measured at amortised cost or at FVOCI, with the exception of equities and assets deriving from contracts with customers. The standard provides that credit provisions should be assessed using the following approaches: the General deterioration method and the Simplified approach; in particular:

- the General Deterioration Method requires financial instruments included in the scope of application of IFRS 9 to be classified in three stages. The three stages reflect the level of deterioration in credit quality from the moment the financial instrument is acquired and involve a different method of calculating ECL;
- the Simplified Approach provides for the adoption of a number of simplifications for trade receivables, contract assets and receivables deriving from lease agreements, in order to prevent entities being forced to monitor changes in credit risk, as envisaged by the general model. Recognition of the loss according to the simplified approach has to be permanent (or "lifetime"), in which case stage allocation is not required. One of the operational examples included in the simplified approaches for estimating ECLs is that of the Provision Matrix, which is particularly suitable in the way that it is constructed for assessing trade receivables due from a clientèle that is highly differentiated, but which can be categorised in the same risk classes. In fact, different write-down rates

will be determined in the provision matrix, grouping together in the proposed matrix above all the receivables based on the days of that they are past due. In addition to this aggregation variable, the standard says that loss rates can be estimated by classes of customers that show the same loss path. The standard does not define a univocal principle for customer segmentation, leaving each entity free to select the sample sub-sets in order to make them consistent, based on individual experiences. So depending on the individual customer base, each entity will organize the provision matrix by dividing its customers into clusters by using different factors and variables, such as geographical area, product area, credit rating, etc.

As we said earlier, in cases where the General Deterioration Method is applied, the financial instruments are classified in three stages according to the deterioration of the credit quality between the date of initial recognition and that of measurement:

- Stage 1 - for activities that have not undergone a significant increase in credit risk with respect to those recorded at the time of initial recognition or if they have a low credit risk on the reference date, a provision must be recognized that reflects the 12-month ECL: expected losses will be estimated on the basis of possible default events in the following 12 months, with a reduced impact of the calculation on ECLs. In fact, for this category of instruments, the standard makes it possible to reduce the coefficients, as the parameters will not be estimated over a time horizon that reflects the entire residual life of the instrument, permitting a saving in terms of the amount to be accrued to the allowance for doubtful accounts;
- Stage 2 and 3 - on the other hand, for assets that have undergone a significant increase in credit risk, the entity has to recognize a provision equal to the expected losses over the entire residual life of these financial assets, taking into account the probability of default that could occur over the entire life of the instrument ("Lifetime ECL").

In order to define the methodological approach to be applied to assets undergoing impairment, an analysis was made of the financial assets in portfolio subject to impairment, with particular reference to trade receivables and contract assets representing the majority of the Company's credit exposure. For trade receivables and contract assets, the Company generally establishes qualitative and quantitative thresholds to define the default of these positions, which are valued by the Company using the IFRS 9 simplified approach (ECL = EAD x PD x LGD). A simplified approach was applied to the trade receivables deemed individually significant by management and for which more precise information is available on the significant increase in credit risk within the simplified model. The application of the new impairment model did not generate significant impacts on the Company's equity, results and financial situation.

The other amendments and interpretations of accounting standards and methods in force from January 1, 2018 govern circumstances and situations that are not relevant to the Company's financial statements or, in any case, not significant:

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 9 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IAS 40 – Transfer of Investment Property;
- Annual cycle of improvements to IFRS 2014-2016 - includes some amendments to IFRS 1 (First-time adoption of International Financial Reporting Standards - Cancellation of Short-Term Exemptions for First-Time Adopters) and IAS 28 (Investments in Associated Companies and Joint Ventures - Clarification that the recognition of an investment at fair value through profit or loss for the year is a choice that applies to the individual investment);

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration.

Standards issued but not yet effective

The Company is assessing the impact of the amendments to accounting standards that have been issued but not yet in force. In particular, IFRS 16 Leases was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on the balance sheet on the basis of a single model similar to the one used to account for finance leases under IAS 17. The standard will come into force for financial years beginning on or after January 1, 2019. The Company expects to apply the new standard from the mandatory effective date. 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.

The quantitative effects of the estimate could be subject to further changes during 2019 as the Company is currently finalising the analysis.

The Company will apply the standard by adopting the simplified retrospective method, assessing, for leases previously classified as operating leases, the lease liability at the current value of the residual payments due, discounted using the lessee's marginal financing rate on the date of the initial application, and recognizing the asset consisting of the right of use for an amount equal to that of the liability. Therefore, there are no cumulative effects to adjust the opening balance of the equity. Furthermore, the 2018 financial statements will not be restated for comparative purposes.

The lease contracts entered into by the Company are essentially attributable to real estate and car leases. The Company did not consider the non-leasing components. It included in the duration of the contract any extension periods covered by the renewal option, when assumed with reasonable certainty that it will be exercised, also based on past experience, and took advantage of the option to exclude short-term contracts (including leases with a duration that ends within 12 months from the date of initial application) from the scope of application of the standard and contracts in which the underlying asset is of low value.

The Company has estimated that, at the date of first application, the assets consisting of liabilities lease amount to approximately € 4,637 thousand. As mentioned in Note 26 Commitments, at December 31, 2018 the Company had commitments for property rentals relating to industrial facilities, warehouses and offices for a total of € 4,651 thousand and future minimum payments for non-cancellable operating leases for a total of € 302 thousand.

Lease instalments paid during the year for operating lease contracts and rents amounted to € 884 thousand.

The difference between the commitments relating to operating leases and the liability for the lease is set out below:

Euro thousands	01.01.2019
Commitments for operating leases as of 12.31.2018	4.961
Minimum payments (notional amount) on financial leases	
short term/low value agreeements exceptions	(8)
Other	(105)
Gross value of leases Liabilities as of 1 January 2019	**4.848**
Actualization	(211)
Net value of leases Liabilities as of 1 January 2019	**4.637**
Present Value of financial leases as of 12.31.2018	–
Liabilitie from the adoption of IFRS16 as of 1 January 2019	**4.637**

The following are the standards and interpretations that at the date of preparation of the Company's financial statements, had already been issued, but were not yet effective:

- IFRS 17 - Insurance Contracts;
- IFRIC - Interpretation 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation;
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures;
- Annual cycle of improvements to IFRS 2015-2017 - includes some amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23;
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

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.

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:
  a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  b) Interest rate risk, relating to the Company's exposure to interest-bearing financial instruments;
  c) Price risk, due to a change in the price of equity instruments shown under financial assets and in commodity prices.

CREDIT RISK

The operational management of this risk is attributed to the Credit Management function, centrally allocated to the Administration, Finance and Control department, which operates on the basis of a Credit Policy that governs:

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

Writedowns are made based on an analysis of specific receivables and insolvencies, if any. See Note 6 for a breakdown of trade receivables by maturity.

Note that as of December 31, 2018, the Company does not have any positions with sovereign debtors that suffer from repayment risk.

In the case of financing activities linked to temporary excess liquidity, the Company uses exclusively counterparties with a high credit standing.

The maximum theoretical exposure to credit risk for the Company as of December 31, 2018 is the carrying amount of the financial assets shown in the financial statements, as well as the nominal value of the guarantees listed in Note 25.

LIQUIDITY RISK

The current difficult financial market environment makes it essential to maintain an adequate level of liquidity for the Company's needs. The two main factors that determine the Company's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

These risks are managed by the Company's Treasury Department based on guidelines laid down by the Finance Department of the Parent Company IMA S.p.A.

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

- maintaining an adequate level of available liquidity;

- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

Within this type of risk, the Company tends to deal with current commitments and investments with the liquidity available in-house, with the cash flow generated by operations and using short-term lines of credit.

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

€ thousands	Within 1 year	From 1 to 5 years	Over 5 years	Total
12.31.2018				
Borrowings	–	–	–	–
Commitments	873	4,080	_	4,953
Trade payables due to suppliers and agents	13,344	_		13,344
Total	**14,217**	**4,080**	**-**	**18,297**
12.31.2017				
Borrowings	–	–	–	–
Commitments	1,025	5,126	2,225	8,376
Trade payables due to suppliers and agents	18,748			18,748
Total	**19,773**	**5,126**	**2,225**	**27,124**

At that date the Company had € 38,470 thousand of unused credit lines (€ 16,794 thousand at December 31, 2017) and liquid funds of € 17,687 thousand (€ 45,788 thousand at December 31, 2017). As regards keeping working capital in balance, especially payables to suppliers, these are covered mainly by net trade receivables, which at December 31, 2018 come to € 60,522 thousand (€ 30,859 thousand at December 31, 2017).

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. The market price includes three types of risk: Exchange rate risk, interest rate risk and other price risks.

Exchange rate risk

The following table analyses the effects of exchange rate risk:

(*) Variability Parameters 2018 of +/-2% €/CHF and +/-2% €/$

			Exchange rate risk (ERR)			
			Effect of increase		Effect of decrease	
Euro thousands	Carrying value	Of which subject to ERR	Profit (Loss)	Other changes in FCR	Profit (Loss)	Other changes in FCR
Financial assets:						
Liquidity	17.687			–		–
Trade and other receivables	64.399			–		–
AFS securities and financial receivables. at FVOCI and FVPL		–	–	–	–	–
Derivatives			–		–	
Tax effect						
			–	–	–	–
Financial liabilities:						
Borrowings						
Bonds			–	–	–	–
Trade and other payables	48.922	34	1	–	–	(1)
Derivatives			–	–	–	–
Tax effect						
			1	**–**	**–**	**(1)**
Tot. increases (decr.) 2018 (*)			**1**	**–**	**–**	**(1)**
Tot. increases (decr.) 2017 (**)			**4**	**–**	**–**	**(4)**

(**) Variability Parameters 2017 +/- 2% €/CHF
For further information on the composition of these items, please see Notes 6, 7 and 11.

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

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

Euro thousands	Receivables from customers and IMA Group	Amount due from customers	Tax receivables, deferred costs, other receivables	Advances received	Payables to suppliers and IMA Group	Other payables
Euro	18.448	43.670	2.281	2.933	40.459	5.496
US Dollar					16	
Swiss Franc					18	
Other currencies						
Total	**18.448**	**43.670**	**2.281**	**2.933**	**40.493**	**5.496**
Euro	9.747	24.036	10.306	15.749	43.787	4.712
US Dollar						
Swiss Franc					216	
Other currencies					2	
Total	**9.747**	**24.036**	**10.306**	**15.749**	**44.005**	**4.712**

Interest rate risk

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

			Rischio di tasso (RT)			
			+ 50 bp on € RT + 50 bp on $ RT		- 50 bp on € RT - 50 bp on $ RT	
Euro thousands	Carrying value	Of w hich ubject to RR(*)	Profit (Loss)	ıer changes in FCR	Profit (Loss)	her changes in RFV
Financial assets:						
Liquidity	17.687	(**) 17.687	88	–	(88)	–
Trade and other receivables		–	–	–	–	–
AFS securities and financial receivables at FVOCI and FVPL				–		–
Derivatives		–	–	–	–	–
Tax effect				–		–
			88	**–**	**(88)**	**–**
Financial liabilities:						
Borrow ings		(**)		–		–
Bonds		–	–	–	–	–
Trade and other payables		–	–	–	–	–
Derivatives			–		–	
Tax effect						
			–	**–**	**–**	**–**
Tot. increases (decr.) 2018 (*)			**88**	**–**	**(88)**	**–**
Tot. increases (decr.) 2017 (**)			**75**	**–**	**(77)**	**–**

(*) Variability Parameters 2018 +/-50% bp €/ $
(**) This is a yearly average.
For further information on the composition of these items, please see Note 7.

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

Exchange rate and interest rate risk are managed by the Company's Treasury Department, in line with the risk management policy approved by the Executive Committee of the Parent Company IMA S.p.A..

Price risk

As of December 31, 2018, the Company is not exposed to price risk associated with investments in listed equity securities classified as financial assets.

Nor is it not exposed to commodity price risk, unless to an irrelevant extent.

CAPITAL RISK MANAGEMENT

The Company manages capital with the goal of supporting its core business and optimising shareholder value. The Company did not have any financial payables at December 31, 2018.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the balance sheet:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

At December 31, 2018, financial assets amounting to € 2,228 thousand (€ 0 thousand at December 31, 2017) included in financial assets valued at FVOCI are measured at fair value and unrealized gains and losses are recognized under other comprehensive income.

These financial assets are measured at level three of the fair value hierarchy.

E) NOTES TO THE FINANCIAL STATEMENTS

The changes shown below have been calculated on the figures as of December 31, 2018 for assets and liabilities and on the figures for the year 2018 for the income statement.

1. PROPERTY, PLANT AND EQUIPMENT

The following is an analysis of changes in property, plant and equipment incurred during the years ended December 31, 2018 and December 31, 2017:

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 01.01.2017							
Gross value	–	–	230	446	660	–	1.336
Accumulated depreciation	–	–	(66)	(287)	(325)	–	(678)
Figures as 01.01.2017	**–**	**–**	**164**	**159**	**335**	**–**	**658**
Additions	–	425	196	189	131	–	941
Disposals and eliminations	–	–	–	–	–	–	–
Depreciation	–	(26)	(35)	(98)	(79)	–	(238)
Reclassifications and another	–	–	–	–	–	–	–
Figures as 31.12.2017	**–**	**399**	**325**	**250**	**387**	**–**	**1.361**
Figures as 01.01.2018							
Gross value	–	425	426	635	791	–	2.277
Accumulated depreciation	–	(26)	(101)	(385)	(404)	–	(916)
Figures as 01.01.2018	**–**	**399**	**325**	**250**	**387**	**–**	**1.361**
Additions	–	234	325	58	198	59	874
Disposals and eliminations	–	–	–	–	(1)	–	(1)
Depreciation	–	(70)	(70)	(104)	(120)	–	(364)
Reclassifications and another	–	–	–	–	1	–	1
Figures as 31.12.2018	**–**	**563**	**580**	**204**	**465**	**59**	**1.871**
Gross value	–	659	751	693	988	59	3.150
Accumulated depreciation	–	(96)	(171)	(489)	(523)	–	(1.279)
Figures as 31.12.2018	**–**	**563**	**580**	**204**	**465**	**59**	**1.871**

Buildings and leasehold improvements consist of capitalized costs of leasehold improvements to the Company's leased head office premises in Ozzano dell'Emilia (Bologna) of € 21 thousand after the Company had taken over the lease agreement from IMA S.p.A. that had been entered into on June 27, 2017 and of leasehold improvements to the Company's local unit premises in Via Rinascita 25 in Ozzano dell'Emilia (Bologna) of € 213 thousand, taken over from IMA S.p.A. on January 1, 2019.

Additions to "Plant and machinery" in 2018 consisted of plant (€ 325 thousand) and machinery (€ 0 thousand). Additions to industrial and commercial equipment concern the purchase of equipment to be used in the production process for € 58 thousand.

Other assets are made up as follows:

Euro thousands	2018	2017
Electronic office machines	216	155
Office furniture and fittings	216	208
Motor vehicles	2	7
Other	31	17
Total	**465**	**387**

Additions during the year essentially include purchases of electronic machines and office machines.

Financial charges directly attributable to property, plant and equipment are charged to the income statement as the Company does not have any assets that need a significant period of time to prepare them for use. At December 31, 2018, € 59 thousand of assets under construction were capitalized in relation to the construction of a test bench for the experiment room.

As of December 31, 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 assets may have suffered impairment.

2. Intangible Assets

The following is an analysis of the movements that occurred during the years ended December 31, 2018 and December 31, 2017:

Euro thousands	Development costs	Industrial patent rights	Software, licences and similar rights	Assets under development and advances	Total
Figures as of 01.01.2017					
Gross value	853	1.448	56	–	2.357
Accumulated amortization	(853)	(886)	(37)	–	(1.776)
Figures as 01.01.2017	**–**	**562**	**19**	**–**	**581**
Additions	–	330	20	1.850	2.200
Disposals and eliminations	–	(142)	–	–	(142)
Amortization	–	(218)	(10)	–	(228)
Svalutation/Impairment	–	–	–	–	–
Reclassifications and another change	–	96	–	–	96
Figures as 31.12.2017	**–**	**628**	**29**	**1.850**	**2.507**
Figures as 01.01.2018					
Gross value	853	1.636	76	1.850	4.415
Accumulated amortization	(853)	(1.008)	(47)	–	(1.908)
Figures as 01.01.2018	**–**	**628**	**29**	**1.850**	**2.507**
Additions	1.450	345	110	850	2.755
Disposals and eliminations	–	(261)	–	–	(261)
Amortization	(273)	(234)	(24)	–	(531)
Svalutation/Impairment	–	–	–	–	–
Reclassifications and another change	1.850	187	–	(1.850)	187
Figures as 31.12.2018	**3.027**	**665**	**115**	**850**	**4.657**
Gross value	4.153	1.720	186	850	6.909
Accumulated amortization	(1.126)	(1.055)	(71)		(2.252)
Figures as 31.12.2018	**3.027**	**665**	**115**	**850**	**4.657**

Development costs include € 853 thousand arising from the transfer of the business by GIMA S.p.A. and that have an estimated useful life of 5 years. This item also includes € 1,850 thousand of capitalised development costs that at December 31, 2017 were included in "Intangible assets in progress and advances" and € 1,450 thousand of capitalised unpatented technology costs for new projects. These are development costs for the implementation of projects related to new technologies to improve the performance of production lines in terms of packaging speed, which are expected to be used in coming years for various customers. The useful life has been estimated in 7 years. As disclosed in the report on operations, research and development costs which failed to meet the relevant capitalization criteria have been recognised in profit or loss; the costs in question amounted to € 1,689 thousand in 2018 (€ 2,299 thousand in 2017).

"Industrial patents rights" include the costs incurred during the year and in prior years for the acquisition and registration of industrial patents. The increase is primarily due to the charges incurred for the extension and maintenance of patents in other countries. Additions in 2018 came to € 345 thousand.

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

At December 31, 2018, € 850 thousand of intangible assets in progress were capitalized in relation to development costs for the implementation of projects related to new technologies regarding new package closure and sealing systems.

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

3. Financial assets

The item "Financial assets", amounting to € 2,228 thousand at December 31, 2018, includes the 20% minority stake in AMT Labs S.p.A., acquired in May 2018 for € 2,228 thousand, and a € 350 stake in the C.E.E. S.C.r.l. consortium.

AMT Labs S.p.A. is a newly formed company 80% owned by Bio-on S.p.A., a listed company, and is dedicated to the development of innovative eco-sustainable and 100% biodegradable materials for the tobacco industry. It should be noted that as of the year end date, the company is not operational. The investment in AMT Labs S.p.A. was valued at fair value based on the provisions of IFRS 9 and IFRS 13. At December 31, 2018 the acquisition cost was deemed to be the best approximation of the fair value of the investment, as the change in the shareholders' equity of AMT Labs. S.p.A. between the date of the investment and the end of the year was not significant.

4. Deferred tax assets and liabilities

Deferred tax assets at December 31, 2018 amounted to € 1,324 thousand (€ 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.

The Company has no deferred tax liabilities at December 31, 2018 and December 31, 2017.

The following table provides net movements in deferred tax assets:

Euro thousands	2018	2017
Balance at beginning of the year	1.069	557
Credit/(Debit) to the income statement	256	511
Credit/(Debit) to equity	(1)	1
Balance at end of the year	**1.324**	**1.069**

The main components of deferred tax assets and liabilities are presented below, together with the changes during the year and with respect to the prior year:

Euro thousands	Provisions	Loss carried forw ard	Amortiza-tion	Income (losses) from fair value	Actuarial valutation	Other	Total
Figures as of 01.01.2017	542	–	–	–	1	14	557
Effect on income statement	394	–	–	–	–	117	511
Effect on equity	–	–	–	–	1	–	1
Figures as of 31.12.2017	**936**	**–**	**–**	**–**	**2**	**131**	**1.069**
Effect on income statement	(122)	–	–	–	–	378	256
Effect on equity	–	–	–	–	(1)	–	(1)
Figures as of 31.12.2018	**814**	**–**	**–**	**–**	**1**	**509**	**1.324**

The item "Others" mainly includes temporary differences relating to items that for tax purposes contribute to taxable income on a cash basis and temporary differences between book values and the values recognized for tax purposes of depreciation and amortization of certain tangible and intangible assets.

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

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

5. INVENTORIES

"Inventories" are made up as follows:

Euro thousands	2018			2017		
	Gross value	Impairment Provision	Net value	Gross value	Impairment Provision	Net value
Raw , ancillary and consumable goods	5.914	(250)	5.664	3.179	(146)	3.033
Work in progress and semi-finished goods	14.832	(1.568)	13.264	20.111	(1.772)	18.339
Total	**20.746**	**(1.818)**	**18.928**	**23.290**	**(1.918)**	**21.372**

At December 31 2018, inventories amounted to € 18,928 thousand (€ 21,372 thousand at December 31 2017), net of the related accumulated depreciation of

€ 1,818 thousand (€ 1,918 thousand at December 31 2017). The decrease in inventories relating to work in progress and semi-finished products compared with December 31, 2017 is related to the higher level of line deliveries in the last quarter of 2018 versus the corresponding period of the previous year.

6. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

TRADE AND OTHER RECEIVABLES

The breakdown of trade and other payables is as follows:

Euro thousands	2018	2017
Trade receivables	16.838	6.823
Receivables from Parent Company and companies controlled by IMA S.p.A.	1.596	2.923
Advances to suppliers	171	283
Tax receivables	1.974	9.937
Deferred costs	139	75
Other receivables	11	12
Total	**20.729**	**20.053**

TRADE RECEIVABLES FROM THIRD PARTIES

At December 31, 2018, trade receivables include amounts due from customers of € 16,838 thousand, up compared with € 6,823 thousand at December 31, 2017, and consist of receivables from third party customers for completed productions, equal to € 16,788 thousand (€ 6,762 thousand as at December 31, 2017) and, for the residual amount, to receivables from associated companies of IMA S.p.A..

The high credit standing of our customers, largely multinationals, reduces credit risk and as such no recognition of an allowance of doubtful accounts is required. As of December 31, 2018, no provision was made for the writedown of receivables. There are no financial components or rights to make returns.

During 2018, € 21,898 thousand of trade receivables were assigned without recourse. The total amount of receivables assigned without recourse and not yet due at December 31, 2018 is equal to € 11,852 thousand, fully assigned to a factoring company. In accordance with IAS 9, the requirements for eliminating these receivables from the financial statements exist.

The breakdown of by maturity is as follows:

€ thousands	Still to fall due	Past due within 12 months	Past due beyond 12 months	Total
12.31.2018				
Gross receivables	13,456	3,252	130	16,838
Allowance for doubtful accounts	–	–	–	–
Net receivables	**13,456**	**3,252**	**130**	**16,838**
12.31.2017				
Gross receivables	3,749	3,074	–	6,823
Allowance for doubtful accounts	–	–	–	–
Net receivables	**3,749**	**3,074**	**–**	**6,823**

It should be emphasized that the amount of € 130 thousand past due beyond 12 months does not present any collection problems.

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

At December 31, 2018 they refer to receivables from the parent company IMA S.p.A. for € 1,586 thousand (€ 2,917 thousand at December 31 2017) and receivables from subsidiaries of IMA S.p.A. for € 10 thousand (€ 6 thousand at December 31 2017) .

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 27.

Advances for goods intended for use in the production process and services to the parent company amounted to € 1,148 thousand (€ 2,878 thousand at December 31, 2017), to companies associated with IMA S.p.A. for € 15 thousand (0 at December 31, 2017).

ADVANCES TO SUPPLIERS

Advances to suppliers refer to payments on account for goods intended for use in the production process and for services that at December 31, 2018 amount to € 171 thousand (€ 283 thousand at December 31, 2017).

TAX RECEIVABLES

Tax receivables amount to € 1,974 thousand at December 31 2018 (compared with € 9,937 thousand at the end of 2017), of which € 1,926 thousand refer to the VAT credit accrued during 2018.

DEFERRED COSTS

These consist mainly of prepaid maintenance fees and annual patent fees, exhibitions and consultancy. Deferrals falling due beyond December 31, 2018 amount to € 139 thousand.

CONTRACT ASSETS

The contract assets relating to existing contracts are shown net of the related advances, as illustrated below:

Euro thousands	2018	2017
Receivables from customers for completed work	58.636	41.419
Amount due from customers	(14.966)	(17.383)
Total	**43.670**	**24.036**

These contract assets consist of the amount due from customers for contracts in progress at the end of the year, net of advances already received.

Contract work is recorded over a period of time and measured according to the percentage of completion using the input method. They are therefore considered amounts that still have to fall due.

Revenue from contract work in 2018 amounted to € 140,243 thousand (€ 116,889 thousand in 2017).

7. LIQUIDITY

This item is made up as follows:

Euro thousands	2018	2017
Bank current accounts	17.681	45.780
Cheques and cash in hand	6	8
Total	**17.687**	**45.788**

The net financial position at December 31, 2018 is positive for € 17,687 thousand and includes a total disbursement of € 42,198 thousand relating to: (i) payment of the dividend, which took place in May 2018 for an amount of € 36,960 thousand, (ii) the purchase of treasury shares for an amount of € 3,010 thousand and (iii) the acquisition of a 20% minority interest in the capital of the company AMT Labs S.p.A. for an amount of € 2,228 thousand. A breakdown of the net financial position at December 31 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:

Euro thousands	2018	2017
A. Cash	6	8
B. Cash equivalents	17.681	45.780
C. Trading securities		–
D. Liquidity (A) + (B) + ©	**17.687**	**45.788**
E Current financial receivables	**–**	**–**
E Current financial receivables	–	–
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)	**17.687**	**45.788**
K. Non-current bank loans		–
L. Bonds issued		–
M. Other non-current payables		–
N. non-corrent assets		–
O. Non-current financial indebtedness (K) + (L) + (M) + (N)	**–**	**–**
P. Net financial position (J) + (O)	**17.687**	**45.788**

8. Share Capital

Share capital (fully subscribed and paid up) at December 31, 2018, amounted to € 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 € 330 thousand via a bonus issue (from € 110 thousand to € 440 thousand), 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 € 132 thousand from the share premium reserve and € 198 thousand from retained earnings.

9. Reserves

Reserves

Reserves amounted to € 4,202 thousand as at December 31 2018, against € 52 thousand as at December 31 2017. This item includes the extraordinary reserve of € 7,091 thousand, the legal reserve of € 88 thousand, the reserve for merger surplus from the exchange originated following the reverse merger of GIMA Holding S.r.l. for € 2 thousand, the negative reserve for actuarial valuation of employee severance indemnities for € 3 thousand, retained earnings for € 34 thousand and, finally, the item includes € 3,010 thousand of treasury shares, the analysis of which is referred to the next paragraph.

It should be noted that the reserve for actuarial valuation of employee severance indemnities refers to the accounting method envisaged by 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 changes in the reserve for re-measurement of defined-benefit plans are as follows:

Euro thousands	
Figure as of 01.01.2017	**(4)**
Actuarial valuation	(3)
Tax effect	1
Figure as of 31.12.2017	**(6)**
Actuarial valuation	4
Tax effect	(1)
Figure as of 31.12.2018	**(3)**

It should be noted that the share premium reserve was zeroed in 2017 as part of the aforementioned bonus increase in share capital

TREASURY SHARES

During 2018, the Company launched a programme for the purchase of treasury shares, carried out in compliance with the authorization approved by the Shareholders' Meeting of April 27, 2018.

These transactions were recognized directly in equity in accordance with IAS 32.

At December 31, 2018, 440,500 shares were held in portfolio (0.50% of share capital) for a total value of € 3,010 thousand. The Company did not hold any treasury shares as at December 31, 2017.

DIVIDENDS

During 2018, dividends were paid by the Company for a total of € 36,960 thousand, corresponding to a dividend of € 0.42 gross for each ordinary share, against € 27,000 thousand in 2017, equal to a dividend of € 0.31 gross for each ordinary share (the dividend per share was calculated on 88,000,000 ordinary shares in circulation). Further information is provided in the statement of changes in equity.

In the current year, the Board of Directors of the Company proposes to pay out a dividend of € 0.42 (gross) per share. As this dividend is subject to approval by the Shareholders' Meeting, it was not recognized as a liability at December 31, 2018.

Available reserves are non-distributable up to € 3,881 thousand, which is made up of € 3,877 thousand for research and development costs not yet amortized, pursuant to art. 2426, no. 5 of the Italian Civil Code, booked under intangible assets in progress for € 850 thousand and to development costs for € 3,027 thousand, and € 4 thousand for the recognition of negative reserves, which meant that a portion of available reserves, equal to the value of the negative reserve, became non-distributable and unavailable.

10. LIABILITIES FOR EMPLOYEES' BENEFITS

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

The main demographic assumptions used by the actuary were as follows:

- mortality: reference is made to the State General Accounting Office (RG48 split by gender);
- probability of disability: reference is made to the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible according to the Italian general insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies mainly of 2.5%;
- probability of advance payments: an annual frequency of 5.0% with a maximum of two repeat requests;
- advances of 60.0% required

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

	2018	2017
Annual discount rate	1,58%	1,20%
Annual inflation rate	1,50%	1,50%
Annual pay rise	3,00%	3,00%
Annual increase in severance indemnities	2,63%	2,63%

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

Changes in liabilities for employees' benefits in the years ended December 31, 2018 and 2017 are set out in the table below:

Euro thousands	
Figure as of 01.01.2017	**131**
Financial expense	2
Uses	(23)
Net actuarial (gains) losses recognized during the year	4
Transfers	15
Figure as of 31.12.2017	**129**
Financial expense	1
Uses	(2)
Net actuarial (gains) losses recognized during the year	(4)
Transfers	2
Figure as of 31.12.2018	**126**

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

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

The results of these calculations for the 2018 financial year are shown in the following table:

The contributions expected to be made in future years in respect of the obligations of the main defined benefit plans involve the following payments:

	Annual discount rate		Annual inflation rate		Annual inflation rate	
Euro thousands	+0,50%	-0,50%	+0,25%	-0,25%	+2,00%	-2,00%
Past service liabilities	120	133	128	124	125	128

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

Euro thousands	2018	2017
Trade payables	30.054	38.223
Payables from Parent Company and companies controlled by IMA S.p	10.439	5.783
Social security payables and defined contribution plans	617	589
Income tax payables	748	990
Employee payables	2.966	2.646
Other payables	1.165	487
Total	**45.989**	**48.717**

TRADE PAYABLES TO THIRD PARTIES

Trade payables at December 31, 2018 include payables to suppliers and agents for € 13,344 thousand (€ 18,748 thousand at December 31, 2017) and trade payables to companies associated with IMA S.p.A. for € 16,710 thousand (€ 19,475 thousand at December 31, 2017).

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

Payables to the Parent Company and companies controlled by IMA S.p.A., including trade payables and advances, derive from the provision of services and goods. At December 31, 2018 they include payables to the parent company IMA S.p.A. for € 10,057 thousand (€ 5,580 thousand at December 31, 2017) and payables to subsidiaries of IMA S.p.A. for € 382 thousand (€ 203 thousand at December 31, 2017) . See Note 27 for further information.

INCOME TAX PAYABLES

Income tax payables are mainly represented by withholding taxes for professionals and employees.

EMPLOYEE PAYABLES

Employee payables at December 31, 2018 amounted to € 2,966 thousand versus € 2,646 thousand at December 31, 2017.

OTHER PAYABLES

Other payables reclassified under non-current liabilities amounted to € 1,659 thousand at December 31, 2018 (compared with € 463 thousand at December 31, 2017) and are represented by payables to directors and employees falling due beyond the year.

Other payables reclassified under Current liabilities at December 31, 2018 consist mainly of € 944 thousand relating to payables to directors (€ 321 thousand at December 31, 2017), € 114 thousand relating to credit card payables (€ 84 thousand at December 31, 2017) and € 47 thousand relating to payables to insurance companies (€ 60 thousand at December 31, 2017) and the remainder to various and minor items.

CONTRACT LIABILITIES

Inventories are made up as follows:

Euro thousands	2018	2017
Advances from customers	2.867	14.797
Liabilities related to existing contracts	66	952
Total	**2.933**	**15.749**

The contract liabilities relating to existing contracts are shown net of the related assets, as illustrated below:

Euro thousands	2018	2017
Advances from customers	4.710	5.925
Assets related to existing contracts	(4.644)	(4.973)
Total	**66**	**952**

The contract liabilities consist of the amount received from customers for contract work in progress at the end of the year, net of the assets relating to existing contracts.

12. INCOME TAX PAYABLES

Income tax payables at December 31, 2018 amounted to € 2,566 thousand versus € 4,821 thousand at December 31, 2017.

They include the IRES tax payable for € 2,087 thousand and the IRAP tax payable for € 479 thousand.

13. PROVISIONS FOR RISKS AND CHARGES

The Company recognized a product warranty provision at December 31, 2018 of € 1,350 thousand.

The provision for product warranty is based on an estimate of the costs likely to be incurred on products under guarantee after December 31, 2018, calculated on the basis of historical costs and the expected costs of machines still under warranty.

The movement of this provision during 2018 is presented in the following table:

Euro thousands	Figure as of 31.12.2017	Allocation to provision	Uses	Figure as of 31.12.2018
Corrente:				
Product w arranty provision	1.702		(352)	1.350
Other provisions	–			–
Total	**1.702**	**–**	**(352)**	**1.350**

14. Revenue from contracts with customers

Following the adoption of IFRS 15, the Company has broken down the revenue from contracts with customers into categories that illustrate how economic factors affect the nature, amount, timing and degree of uncertainty of revenue and financial flows. Both the information provided in the presentations to investors and the information periodically reviewed by the highest operational decision-making level were considered and therefore the breakdown of revenue subsequently presented in three categories was considered appropriate: geographical area, category of business and timing of recognition.

The Company's revenue can be analysed by geographical area as follows:

Euro thousands	2018	2017	Variazione
European Union (excl. Italy)	55.828	42.263	13.565
Other European countries	10.109	16.966	(6.857)
Asia and Middle East	103.909	46.050	57.859
Other countries	1.737	4.843	(3.106)
Total export	**171.583**	**110.122**	**61.461**
Italy	11.349	41.639	(30.290)
Total	**182.932**	**151.761**	**31.171**

Revenue is allocated according to the geographical area of the invoiced customer.

Over 90% of total revenue is made outside Italy. Approximately 65% of revenue is generated by machines and plants, while the other 35% is After-Sales (technical assistance, spare parts, change parts, etc.).

In terms of the geographical distribution of sales, there has been growth in the European Union and other countries and a decrease in other countries in the world.

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

Euro thousands	2018	2017	Change
Original Equipment	119.987	105.098	14.889
After-Sales	62.945	46.663	16.282
Total	**182.932**	**151.761**	**31.171**

Original equipment essentially includes machines and contract work, while the after-sales item consists of post-sales activities such as technical assistance, spare parts and change parts.

The breakdown of the Company's revenue by timing of recognition is as follows:

Euro thousands	2018	2017	Variazione
Revenue at a point in time	60.709	47.053	13.656
Revenue over time	122.223	104.708	17.515
Total	**182.932**	**151.761**	**31.171**

Contract work and part of technical assistance, in particular start-up services, represent obligations to be fulfilled over time. The machines, the formats, the spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time.

The backlog at December 31, 2018 amounts to € 53,469 thousand. It is expected that approximately 96% of orders not yet processed at December 31, 2018 will be completed during the next year.

15. OTHER REVENUE

Other revenue comprises:

Euro thousands	2018	2017	Variazione
Capitalization of internal construction costs for tangible assets	59	–	59
Capitalization of internal construction costs for intangible assets	2.300	1.850	450
Out-of-period income	230	159	71
Other revenue and income	718	263	455
Public found	212	186	26
Total	**3.519**	**2.458**	**1.061**

This item, amounting to € 3,519 thousand in 2018 (€ 2,458 thousand in 2017), mainly refers to the increase in intangible assets for internal work, € 2,300 thousand (€ 1,850 thousand in 2017) and include other revenue and income and out-of-period income.

Increases in assets for internal work refer to development costs, as indicated in Note 2. Out-of-period income mainly refers to positive differences between effective costs and revenue and the estimates accrued in previous years.

Other income includes € 212 thousand (€ 186 thousand in 2017) relating to public funds received.

Information pursuant to art. 1, paragraph 125, of Law 124 of August 4, 2017

In compliance with the requirements of Law 124 of 2017 and in the light of the interpretations available to date, it is specified that these payments consist of:

- Tax credit for Research and Development activities pursuant to Law 190/2014 for € 212 thousand, relating to 2018 and not yet used in 2018 to offset tax liabilities (€ 186 thousand to 2017 accounted for and used in 2017).
- Furthermore, it should be noted that in 2018, the Company also benefited from € 6 thousand for a financial training plan from Fondodirigenti accounted for in another item.

16. Cost of raw, ancillary and consumable materials and goods for resale

This item is made up as follows:

Euro thousands	2018	2017	Change
Raw materials and semi-finished products	42.930	43.027	(97)
Consumable and ancillary materials	623	476	147
Goods for resale	18.535	8.778	9.757
Other purchases	475	485	(10)
Total	**62.563**	**52.766**	**9.797**

The costs of raw, ancillary and consumable materials and goods for resale amount to € 62,563 € thousand in 2018, up by 18.6% on 2017 (€ 52,766 € thousand), against a rise in revenue of 20.5%.

17. SERVICES, RENTALS AND LEASES

This item is made up as follows:

Euro thousands	2018	2017	Change
External machining and assembly	15.806	13.775	2.031
Maintenance and repairs	312	163	149
Energy, telephone, gas, w ater and postal charges	572	106	466
Commissions	664	92	572
Technical, legal, tax, administrative and commercial consulting se	7.104	8.405	(1.301)
Advertising and promotions	131	148	(17)
Exhibitions	58	122	(64)
Travel, transport and insurance costs	1.078	667	411
Freight costs	744	500	244
Bank charges	111	56	55
Rent expense	1.067	1.180	(113)
Rental instalments	52	55	(3)
Annual patent fees	34	27	7
Other services	2.877	2.060	817
Total	**30.610**	**27.356**	**3.254**

Services, rentals and leases amount to € 30,610 thousand in 2018, up by 11.9% on the previous year.

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 € 3,838 thousand (€ 3,894 thousand in 2017).

18. PERSONNEL COSTS

Personnel costs are made up as follows:

Euro thousands	2018	2017	Change
Wages and salaries	10.006	9.713	293
Employee benefits	142	90	52
Social contributions	2.910	2.731	179
Directors' fees	3.284	955	2.329
Directors' fees	685	609	76
Other personnel costs	723	705	18
Total	**17.750**	**14.803**	**2.947**

Personnel costs amount to € 17,750 thousand in 2018, versus € 14,803 thousand in 2017.

In 2018 the Company significantly increased its workforce, employing an average of 156 people, compared with 113 people employed on average in 2017:

There was a headcount of 164 at December 31, 2018, up by 138 on the 2017 year end figure.

	2018	2017	Change
Managers	6	5	1
White-collar w orkers	104	76	28
Blue-collar w orkers	46	32	14
Total	**156**	**113**	**43**

19. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

Depreciation and amortization in 2018 of € 895 thousand consist of the depreciation of property, plant and equipment and the amortization of intangible assets, they are made up of:

Euro thousands	2018	2017	Change
Depreciation of property, plant and equipment	364	238	126
Amortization of intangible assets	531	228	303
Total	**895**	**466**	**429**

20. OTHER OPERATING COSTS

Other operating costs are as follows:

Euro thousands	2018	2017	Change
Losses on disposal of fixed assets	74	46	28
Other taxes	39	12	27
Out-of-period expense	94	65	29
Membership fees	17	7	10
Sundry promotional materials	10	9	1
Other operating expenses	180	180	–
Total	**414**	**319**	**95**

In 2017, "Other operating costs" also includes non-recurring costs related to the Company's stock exchange listing process for € 188 thousand.

21. FINANCIAL INCOME

This item is made up as follows:

Euro thousands	2018	2017	Change
Bank interest income	1	1	–
Interest income from Parent Company	–	46	(46)
Exchange gains	3	17	(14)
Total	**4**	**64**	**(60)**

22. FINANCIAL EXPENSE

This item is made up as follows:

Euro thousands	2018	2017	Change
Bank interest expense	1	2	(1)
Discount interest expense	119	61	58
Net interest cost of defined benefit plans	2	3	(1)
Miscellaneous interest expense	81	73	8
Surety charges	33	7	26
Exchange losses	19	35	(16)
Total	**255**	**181**	**74**

The discount interest expense arises from the factoring of receivables.

23. TAXES

The breakdown of taxes is as follows:

Euro thousands	2018	2017	Change
Taxes figure ad of 12.31.2018			
Current income taxes	20.291	17.508	2.783
Deferred tax assets	(256)	(511)	255
Total	**20.035**	**16.997**	**3.038**

The following table shows a reconciliation between the nominal tax rate according to Italian legislation and the effective rate resulting from the financial statements (€ thousands):

Euro thousands	2018	2017
Result before taxes	**71.876**	**61.115**
Taxes calculated at the applicable rate	**17.250**	**14.668**
Non-taxable income	(51)	(45)
Tax effect of non-deductible costs	59	63
IRAP	2.949	2.438
Other	(172)	(127)
Total	**20.035**	**16.997**

The theoretical rates used to calculate income taxes are respectively 24% for IRES and 3.90% for IRAP.

24. EARNINGS PER SHARE

Basic earnings per share are calculated on the basis of profit for the year divided by the weighted average number of shares outstanding during the year, as

	2018	2017
Profit for the year (in Euro)	51.841.304	44.117.264
Average number of ordinary shares	87.968.457	88.000.000
Earnings per share (in Euro)	**0,59**	**0,50**

indicated in the table below, and coincide with diluted earnings per share due to the absence of potentially dilutive equity instruments.

25. GUARANTEES GIVEN

At December 31, 2018, the Company granted guarantees of € 9,915 thousand (€ 3,906 thousand at December 31, 2017) consisting of € 9,557 thousand for advances received from customers (€ 3,637 thousand at December 31, 2017), € 78 thousand for the Swiss Tax Authorities (€ 78 thousand at December 31, 2017) and € 280 thousand for the Customs Agency for temporary imports of tobacco (€ 191 thousand at December 31, 2017).

26. COMMITMENTS

At December 31, 2018 the Company had commitments for € 302 thousand for future minimum payments for non-cancellable operating leases relating mainly to cars (€ 98 thousand expiring within 1 year and € 204 thousand in 1 to 5 years) and commitments for rents for € 4,651 thousand (€ 775 thousand expiring within 1 year and € 3,876 thousand in 1 to 5 years). There are third-party goods at our factories consisting of tobacco sent to us temporarily by customers for € 280 thousand.

27. 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.

As mentioned in the report on operations, on February 15, 2019 the Board of Directors approved a project, with the positive opinion of the specific committee, to update the corporate governance rules, in particular the procedure for Related Party Transactions and the procedure for the Management and Disclosure of Insider Information.

Intra-group transactions are a consequence of the organizational structure in which the Company, the Parent Company IMA S.p.A. and affiliates operate. Such transactions are carried out in the ordinary course of business on an arm's-length basis.

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

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

Trade receivables due from and advances to the Parent Company IMA S.p.A. and its subsidiaries and affiliates, as included in "Trade and other receivables", amounted to € 1,660 thousand at December 31, 2018, down on the December 31, 2017 figure of € 2,985 thousand.

€ thousands	2018	2017	Change
Trade receivables from Parent Company			
IMA S.p.A.	1,586	2,917	(1,331)
Total	**1,586**	**2,917**	**(1,331)**
Trade receivables from affiliates			
GIMA S.p.A.	4	6	(2)
Digidoc S.r.l.	6	–	6
Total	**10**	**6**	**4**
Trade receivables from companies affiliated to IMA S.p.A.			
Sil.mac S.r.l..	43	42	1
Logimatic S.r.l.	21	20	1
Total	**64**	**62**	**2**
Total	**1,660**	**2,985**	**(1,325)**

These receivables and advances mainly relate to the sale of goods in the ordinary course of the Company's business, and to administrative, commercial and technical design services provided at market terms.

Trade payables due to and advances from the Parent Company IMA S.p.A. and its subsidiaries and affiliates, as included in "Trade and other payables", amounted to € 27,148 thousand at December 31, 2018, up on the December 31, 2017 figure of € 25,257 thousand.

€ thousands	2018	2017	Change
Trade payables to Parent Company			
IMA S.p.A.	10,057	5,580	4,477
Total	**10,057**	**5,580**	**4,477**

Trade payables to affiliates			
GIMA S.p.A.	137	125	12
IMA North America Inc	1	-	1
Ilapak Sp Zoo	–	29	(29)
IMA Germany GmbH	–	6	(6)
OOO Ima Industries	196	43	153
Imautomatiche Do Brasil LTDA	48	–	48
Total	**382**	**203**	**179**
Trade payables to companies affiliated to IMA S.p.A.			
B.C. S.r.l.	141	127	14
La.co. S.r.l.	634	1,015	(381)
Iema S.r.l.	6,608	6,598	10
Sil.mac S.r.l.	4,525	4,596	(71)
Masterpiece S.r.l.	74	38	36
Powetransmission.it S.r.l.	2	36	(34)
Logimatic S.r.l.	3,047	5,200	(2,153)
Bolognesi S.r.l.	715	1,450	(735)
STA.MA S.r.l.	–	60	(60)
MORC 2 S.r.l.	192	351	(159)
TALEA S.r.l.	6	3	3
RO.SI. S.r.l.	765	–	765
Total	**16,709**	**19,474**	**(2,765)**
Total	**27,148**	**25,257**	**1,891**

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

Revenue from the Parent Company IMA S.p.A. and its subsidiaries and affiliates in 2018 amounted to € 1,014 thousand. Details of this revenue, consisting essentially of sales of goods, technical assistance and design services, are shown in the following table:

€ thousands	2018	2017	Change
Revenue from Parent Company			
IMA S.p.A.	933	272	661
Total	**933**	**272**	**661**
Revenue from affiliates			
GIMA S.p.A.	14	16	(2)
Digidoc S.r.l.	10	-	10
Total	**24**	**16**	**8**
Revenue from companies affiliated to IMA S.p.A.			
Sil.mac S.r.l.	37	49	(12)
Logimatic S.r.l.	20	17	3
Total	**57**	**66**	**(9)**
Total	**1,014**	**354**	**660**

Operating costs due to the Parent Company IMA S.p.A. and its subsidiaries and affiliates in 2018 amounted to € 49,552 thousand. These costs, which mainly originate from purchases of goods and services related to the Company's own business, are included under "Cost of raw, ancillary and consumable materials and goods for resale", "Services, rentals and leases" and "Personnel costs".

€ thousands	2018	2017	Change
Operating costs - Parent Company			
IMA S.p.A.	26,987	19,745	7,242
Total	**26,987**	**19,745**	**7,242**
Operating costs - affiliates			
GIMA S.p.A.	257	149	108
IMA Germany GmbH	–	5	(5)
Ilapak Sp Zoo	–	29	(29)
IMA North America Inc	1	–	1
Corazza S.p.A.	1	–	1
Revisioni Industriali S.r.l.	–	73	(73)
OOO Ima Industries	977	633	344
Imautomatiche Do Brasil LTDA	115	–	115
Total	**1,351**	**889**	**462**
Operating costs to associates of IMA S.p.A.			
B.C. S.r.l.	476	393	83
La.co. S.r.l.	912	1,262	(350)
Iema S.r.l.	7,850	6,972	878
Sil.mac S.r.l.	6,500	5,884	616
Masterpiece S.r.l.	78	45	33
Powetransmission.it S.r.l.	12	53	(41)
Logimatic S.r.l.	3,902	4,848	(946)
Bolognesi S.r.l.	831	1,522	(691)
Plasticenter S.r.l.	–	88	(88)
MORC 2 S.r.l.	438	440	(2)
STA.MA S.r.l.	–	70	(70)
RO.SI. S.r.l.	209	–	209
Fare Impresa in Dozza S.r.l.	4	–	4
S.I.ME. S.r.l.	–	2	(2)
TALEA S.r.l.	2	–	2
Total	**21,214**	**21,579**	**(365)**
Total	**49,552**	**42,213**	**7,339**

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 - € thousands	2018	2017	Change
Costal Projects & Consulting S.r.l.	652	861	(209)
Deltos S.r.l.	214	–	214
EPSOL S.r.l.	241	1	240
Morosina S.p.A.	–	61	(61)
Poggi & Associati	–	16	(16)
Datalogic S.r.l.	176	–	176
TEC.COM. S.a.s.	280	479	(199)
Verniciatura Ozzanese S.r.l.	–	1	(1)
Total	**1,563**	**1,419**	**(144)**

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

Costs - € thousands	2018	2017	Change
Costal Projects & Consulting S.r.l.	1,377	1,213	164
Datalogic S.r.l.	144	–	144
Deltos S.r.l.	270	–	270
EPSOL S.r.l.	198	1	197
Morosina S.p.A.	24	74	(50)
Poggi & Associati	183	297	(114)
TEC.COM. S.a.s.	–	959	(959)
Verniciatura Ozzanese S.r.l.	2	1	1
Total	**2,198**	**2,545**	**(347)**

28. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

Costs incurred by the Company in connection with the listing process and which are of a non-recurring nature, amounted to € 1,259 thousand in 2017, of which € 1,072 thousand is included under line item "Services, rentals and leases", while the remainder under "Other operating costs".

29. ATYPICAL OR UNUSUAL TRANSACTIONS

No significant balances arose from atypical and/or unusual transactions.

30. SIGNIFICANT SUBSEQUENT EVENTS

With the exception of what was previously indicated in the section of the report on operations entitled “Related Party Transactions”, about the review of the procedure for transactions with related parties approved by the Board of Directors on February 15, 2019 and to which reference is made, there are no other significant events worth mentioning.

F) ANALYSIS OF EQUITY ITEMS

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

at December 31, 2018 (€ thousands)

Nature/Description	Amount	Potential use	Portion available	Summary of use of reserves in the last three years: To cover losses	Summary of use of reserves in the last three years: For other reasons
Share capital	**440**				
Capital reserves:					
- Share premium reserve	–	A-B-C	–	–	3,957
- Reserve for capital payments	–	A-B-C	–	–	–
			–	**–**	**3,957**
Profit reserves:					
- Defined benefit plans actuarial remeasurement reserve	(4)				
- Reserve for treasury shares	(3,010)				
- Legal reserve (1)	88	B	–	–	–
- Extraordinary reserve (2)	7,091	A-B-C	4,081		2,730
- Merger surplus reserve	2	A-B-C	2	–	-
- Retained earnings	34	A-B-C	34	–	198
			4,117	**–**	**2,928**
Total	**4,641**		**4,117**	**–**	**6,885**
Non-distributable portion (2)			**3,881**	**–**	**–**
Distributable portion (balance)			**236**	**–**	**–**

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

1. The legal reserve is only available for use as in letter B. In any case, all other available reserves have to be used first.
2. The extraordinary reserve is restricted for € 3,010 thousand to the negative reserve that was recorded following the purchase of treasury shares, which meant that a portion of available reserves, corresponding to the value of the negative reserve, became non-distributable and unavailable pursuant to art. 2357, paragraph 1, of the Italian Civil Code.
3. Available reserves are non-distributable without distinction up to € 3,881 thousand, as follows:

- € 3,877 thousand for research and development costs not yet amortized, pursuant to art. 2426, no. 5 of the Italian Civil Code, shown under intangible assets in progress for € 850 and development costs for € 3,027;
- € 4 thousand for the recognition of negative reserves, which meant that a portion of available reserves, corresponding to the value of the negative reserve, became non-distributable and unavailable.

G) REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

FEES

Details are provided below of remuneration payable for any reason and in any form to the Company's Directors and Statutory Auditors for carrying out their duties pertaining to GIMA TT attributable to 2018.

€ thousands	2018
Directors	3,284
Board of Statutory Auditors	51
Total	**3,335**

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

H) FINANCIAL STATEMENTS OF IMA S.P.A. AT 12/31/2017 AND COMPARISON WITH 2016

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

STATEMENT OF FINANCIAL POSITION

(IN €)

ASSETS	31 December 2017	31 December 2016
NON-CURRENT ASSETS		
Property, plant and equipment	38.465.773	32.611.410
Intangible assets	46.247.622	43.897.154
Investments accounted for using the equity method	415.074.897	364.442.436
Financial assets	8.308.926	11.949.728
Receivables from others	1.672.495	1.436.763
Deferred tax assets	25.392.546	24.486.527
TOTAL NON-CURRENT ASSETS	535.162.259	478.824.018
CURRENT ASSETS		
Inventories	147.175.235	132.031.934
Trade and other receivables	167.600.360	165.372.960
Income tax receivables	3.646.566	3.662.817
Financial assets	132.883.284	109.035.148
Derivative financial instruments	95.447	191.165
Cash and cash equivalents	64.925.076	62.600.121
TOTAL CURRENT ASSETS	516.325.968	472.894.145
TOTAL ASSETS	**1.051.488.227**	**951.718.163**

EQUITY AND LIABILITIES	31 dicembre 2017	31 dicembre 2016
EQUITY		
Share capital	20.415.200	20.415.200
Share premium reserve	122.818.237	122.818.237
Treasury shares	(70.532)	(70.532)
Fair value reserve	(1.389.559)	(2.036.950)
Reserve for re-measurement of defined-benefit plans	(2.389.717)	(2.194.800)
Other reserve	62.775.078	53.234.312
Retained earnings	8.858.541	8.858.541
Net profit for the year	187.833.298	72.347.966
TOTAL SHAREHOLDERS' EQUITY	398.850.546	273.371.974
NON-CURRENT LIABILITIES		
Borrowings	165.961.193	218.554.554
Employee defined benefit liabilities	12.022.711	12.669.540
Provisions for risks and charges	2.212.051	1.994.581
Other payables	4.868.952	6.647.082
Derivative financial instruments	1.943.775	2.279.874
Deferred tax liabilities	3.708.558	3.354.253
TOTAL NON-CURRENT LIABILITIES	190.717.240	245.499.884
CURRENT LIABILITIES		
Borrowings	91.450.858	92.652.979
Trade and other payables	355.125.670	322.795.861
Income tax liabilities	2.280.821	4.167.007
Provisions for risks and charges	12.855.678	12.426.354
Derivative financial instruments	207.414	804.104
TOTAL CURRENT LIABILITIES	461.920.441	432.846.305
TOTAL LIABILITIES	652.637.681	678.346.189
TOTAL EQUITY AND LIABILITIES	**1.051.488.227**	**951.718.163**

INCOME STATEMENT

(IN €)

	2017	2016
REVENUE	620.081.871	591.716.561
OTHER REVENUE	20.403.853	18.965.884
OPERATING COSTS		
Change in work in progress, semifinished and finished goods	12.017.827	10.100.322
Change in inventory of raw, ancillary and consumable materials	3.125.473	4.321.275
Cost of raw, ancillary and consumable materials and goods for resale	(242.210.014)	(240.905.391)
Services, rentals and leases	(166.149.930)	(150.521.579)
Personnel costs	(161.790.614)	(149.961.081)
Depreciation, amortization and write-downs	(11.758.546)	(10.120.855)
Provisions for risks and charges	777.195	(1.247.021)
Other operating costs	(3.444.495)	(3.637.626)
TOTAL OPERATING COSTS	(569.433.104)	(541.971.956)
- of which: effect of non-recurring items	*(1162.988)*	*(1059.676)*
OPERATING PROFIT	71.052.620	68.710.489
- of which: effect of non-recurring items	*(1162.988)*	*(1059.676)*
FINANCIAL INCOME AND EXPENSE		
Financial income	164.361.895	44.766.306
Financial expense	(26.072.150)	(19.233.877)
TOTAL FINANCIAL INCOME AND EXPENSE	138.289.745	25.532.429
- of which: effect of non-recurring items	*101381263*	–
PROFIT BEFORE TAXES	209.342.365	94.242.918
TAXES	(21.509.067)	(21.894.952)
PROFIT FOR THE YEAR	**187.833.298**	**72.347.966**

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

The following table shows the fees incurred in 2018 for auditing services and for services other than auditing rendered by EY S.p.A.:

Euro thousands	Service rendered by	Fees
Audit	EY S.p.A.	118
Total		**118**

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

GIMA TT S.p.A.

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

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

- the appropriateness with regard to the characteristics of the Company and the
- effective application of the administrative and accounting procedures in preparing the financial statements for the period January-December 2018.

It is also certified that:

1. the financial statements:
   a) have been prepared in accordance with International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated July 19, 2002;
   b) correspond to the entries in the accounting books and records;
   c) provide a true and fair view of the issuer's results of operations and financial position.
2. the report on operations includes a reliable analysis of the business, as well as the results of operations and the financial position of the issuer, together with a description of the risks and uncertainties to which it is exposed.

Ozzano dell'Emilia (Bologna), March 15, 2019

Chairman	Financial Reporting Manager
Sergio Marzo	Lorenzo Giorgi

REPORT OF THE INDEPENDENT AUDITORS

AT 31 DECEMBER 2017

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

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GIMA TT S.p.A. (the "Company"), which comprise the statement of financial position at December 31, 2018, and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
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We identified the following key audit matter:

Key Audit Matter	Audit Response
Revenue recognition and valuation of contracts assets and liabilities of contract work	
The financial statements include Euro 140.2 million revenue from contract work, and related contract assets and liabilities for Euro 43.7 million and Euro 0.1 million, respectively. Such revenues and margins from contracts work are recognized on the stage-of-completion basis applying the "cost-to-cost method" which is based on the ratio of actual costs incurred for work performed to date on the estimated total costs to complete the contract. The procedures and application for revenue recognition, and for the valuation of contract assets and liabilities of contract work, are based on complex assumptions that, due to their nature, imply the use of management's judgment, in particular with reference to the estimated costs to complete each project and changes in estimates compared to the previous year, if any. Such changes could be influenced by multiple factors such as, for example, the time frame required to develop and complete the projects, the high technological and innovative content, the performance guarantees of the machines, and the possible presence of price variances and price adjustments, including the estimation of contractual risks, if any. Considering the economic and financial significance of contract work and on the complexity of the assumptions used in forecasting total costs of the contracts, in addition to the potential impact of the changes in estimates, we considered that this item represents a key audit matter. The disclosure relating to revenues recognition and valuation of contract assets and liabilities are included in Note 6. "Trade and other receivables and contract assets" of the financial statements, as well as in section C) "Accounting policies" in paragraph "Revenue from contracts with customers" and in the specific paragraph "Use of estimates and assumptions".	Our audit procedures in response to the key matter included, among others: • the assessment of the procedures and controls performed by the Company during the planning and monitoring of contracts, including the assessment of revenue recognition; • the assessment, with reference to key projects, of the key assumptions used in forecasting total costs to complete the contracts and to determine total revenue, through testing the project progress reports, contractual supporting documentation and interview of the project managers; • the comparative analysis of the main changes in contracts' results as compared to the original budget or the previous year estimates; • the assessment of the assumptions that required significant management judgments, such as, for example, those related to the forecasting of costs related to projects with high technological and innovative content; • the execution, on a sample basis, of substantive procedures on contract costs incurred; • the testing of the mathematical accuracy of the calculation of the project's percentage of completion. Lastly, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to revenue recognition and to the evaluation of contract assets and liabilities.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

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audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

We declare that we have not provided prohibited non-audit services, referred to in article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Board of Statutory Auditors (Collegio Sindacale) in its capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on Compliance with Other Legal and Regulatory Requirements

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

The Directors of GIMA TT S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of GIMA TT S.p.A. at December 31, 2018, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of

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GIMA TT S.p.A. at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of GIMA TT S.p.A. at December 31, 2018 and comply with the applicable laws and regulations.

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

Bologna, March 27, 2019

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.

GIMA TT SPA