



# 2019 First-Quarter Results

May 14, 2019



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

# Introduction to GIMA TT

# GIMA TT at a glance

## Core activity

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

## Product families

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

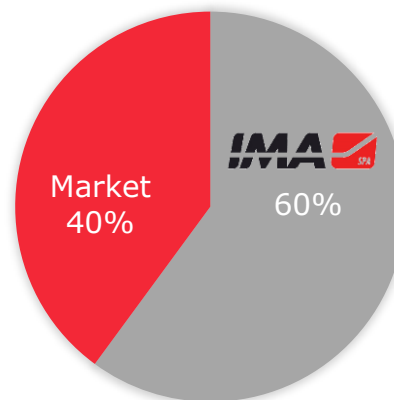
## End-market

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

## HQs

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

## Shareholders

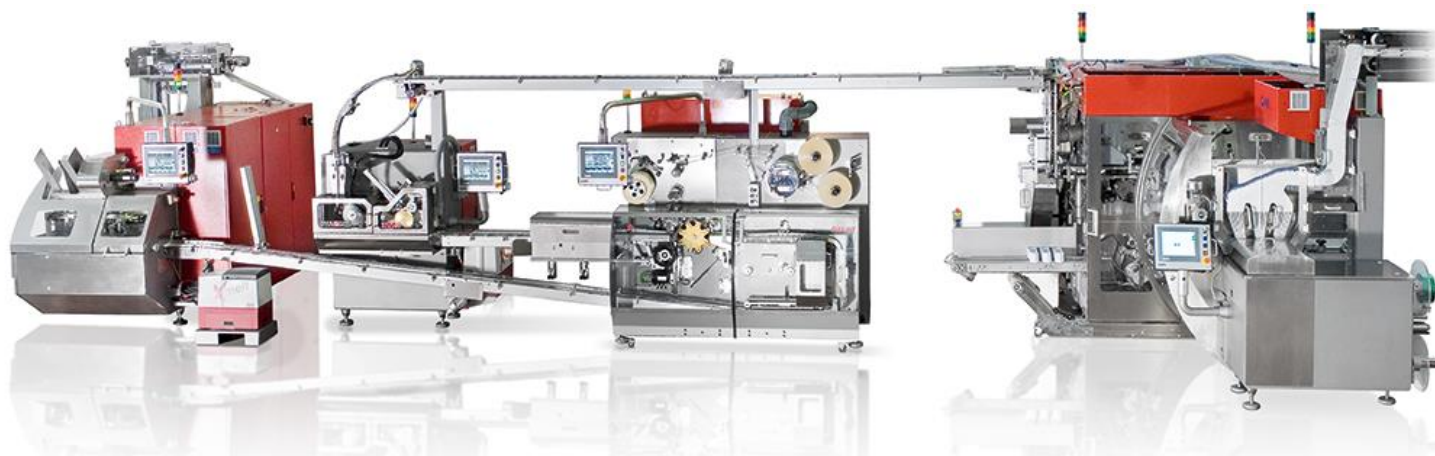


## Board of Directors

### 7 Board Members:

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

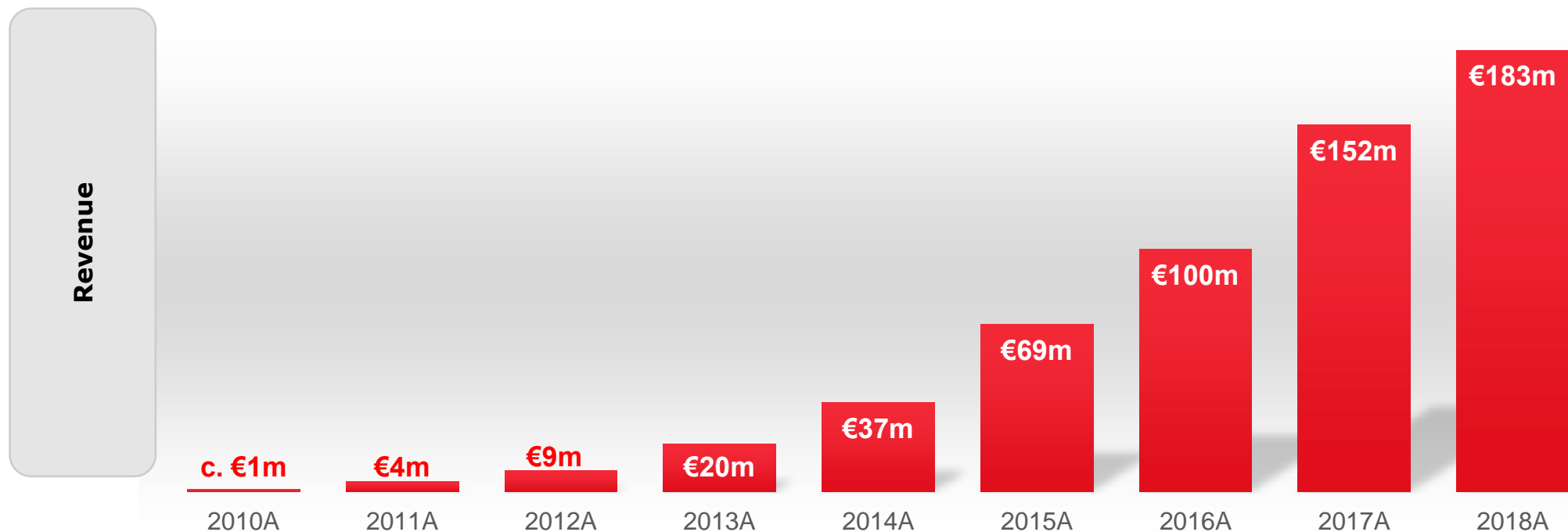
## GIMA TT Flex Line



Source: Company information

# Corporate milestones

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



Source: Company information

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

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

## Machines for NGPs and conventional tobacco products

### Flex A



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

### Flex-B



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

### Flex ST



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

### Flex WF



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

### Flex CO



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

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

### Assembly lines



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

### Process machines for liquid or powder



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

### Filling machines for Liquid and Powder



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

### Primary packaging



- **Blister** packaging or product flow packing

### Secondary packing



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



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

Source: Company information

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

# Tobacco market trends

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

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

**Food and Drug Administration** – July 28, 2018

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

**Japan Tobacco** - July 21, 2017

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

**Philip Morris International** – June 15, 2018



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



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

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

Source: Companies websites

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

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

## British American Tobacco

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



## Japan Tobacco

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

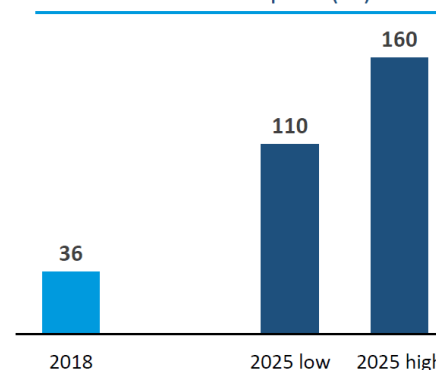
## Imperial Brands



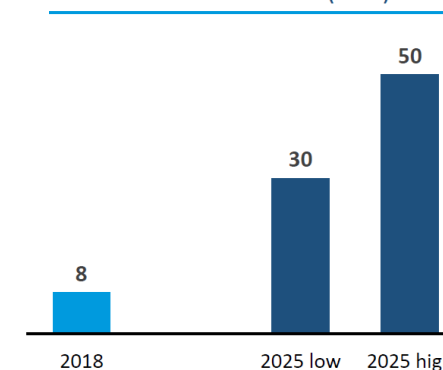
VAPING COULD REACH £50 BILLION BY 2025...



Number of Vapers (m)



Retail Sales Value (£bn)



## Philip Morris International

Confident in 90-100 Billion HTU Shipment Target by 2021

	Actual 2018	Aspiration <sup>(a)</sup> 2025
<b>Reduced-Risk Product Volume<sup>(b)</sup></b> (billion units)	41 Over 5% of PMI total volume	>250 >30% of PMI total volume
<b>Combustible Tobacco Product Volume<sup>(c)</sup></b> (billion units)	767	<550
<b>Reduced-Risk Product Net Revenues</b>	\$4.1 billion Nearly 14% of PMI total net revenues	\$17-\$19 billion <sup>(d)</sup> Approx. 38% - 42% <sup>(d)</sup> of PMI total net revenues

Source: Companies presentations

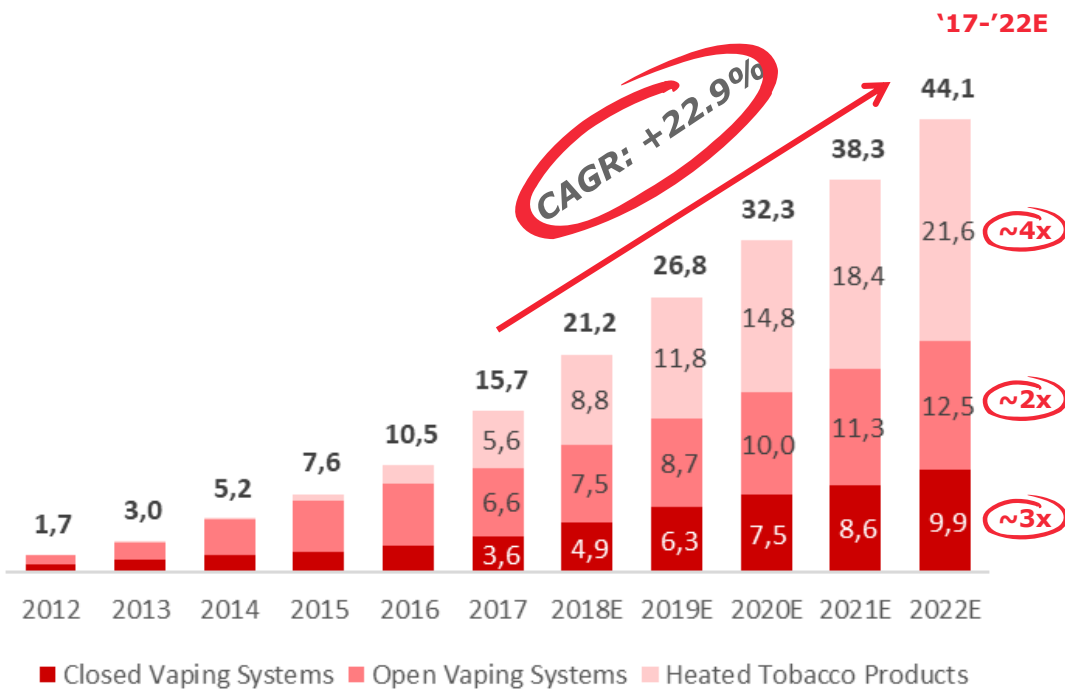
# ... confirmed by Independent Research, forecasting significant growth for NGPs on a global basis

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

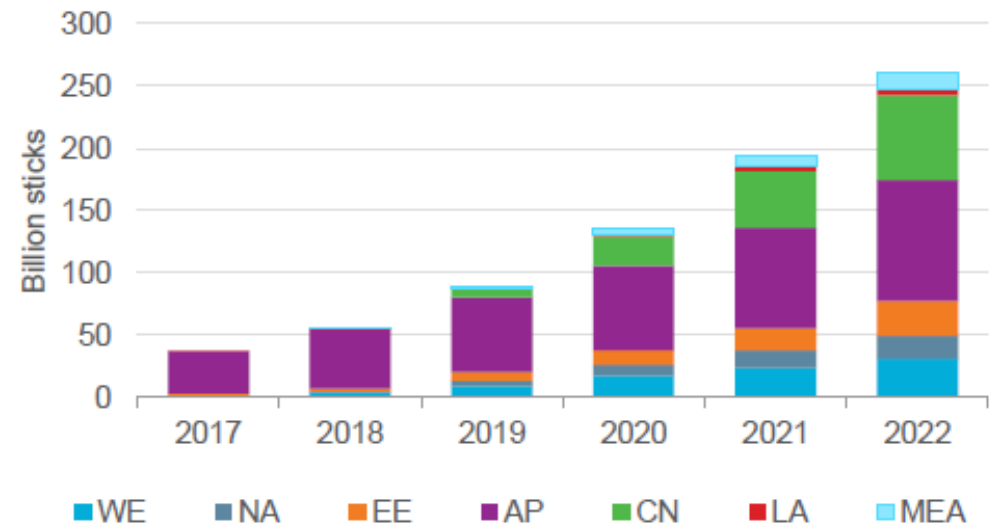
NGPs are expected to count for 5.3% of the global tobacco market in 2022

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

NGP Global Retail Value (€bn)



Heated Tobacco Volumes (billion sticks)



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

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

## New Generation Products

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

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

**NEW** and **DIFFERENT** production capacity/ capabilities

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

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

Driving machine first adoption

## Conventional Tobacco Products

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

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

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

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

Driving machine substitution

(1) Revision of the Tobacco Products Directive



# Financial Highlights – Q1 2019

# Profit & Loss

(€ '000s)	Q1 2019	%	Q1 2018	%
Revenue	19.700	<b>100,0%</b>	41.258	<b>100,0%</b>
Cost of sales	(11.426)	(58,0%)	(24.115)	(58,4%)
<b>Industrial gross profit</b>	<b>8.274</b>	<b>42,0%</b>	<b>17.143</b>	<b>41,6%</b>
R&D costs	(775)	(3,9%)	(694)	(1,7%)
Sales costs	(807)	(4,1%)	(615)	(1,5%)
General and administrative costs	(1.770)	(9,0%)	(1.884)	(4,6%)
<b>EBIT</b>	<b>4.922</b>	<b>25,0%</b>	<b>13.950</b>	<b>33,8%</b>
Finance income/(expense)	(16)	(0,1%)	(22)	(0,1%)
<b>EBT</b>	<b>4.906</b>	<b>24,9%</b>	<b>13.928</b>	<b>33,8%</b>
Taxes	(1.371)	(7,0%)	(3.908)	(9,5%)
<b>Net income</b>	<b>3.535</b>	<b>17,9%</b>	<b>10.020</b>	<b>24,3%</b>
<b>EBITDA</b>	<b>5.390</b>	<b>27,4%</b>	<b>14.129</b>	<b>34,2%</b>
<b>Backlog</b>	<b>52.515</b>		<b>112.449</b>	
<b>Order intake</b>	<b>18.742</b>		<b>43.286</b>	

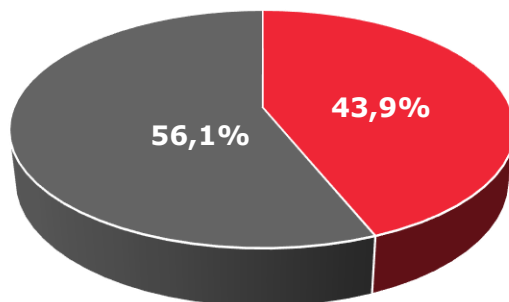
Source: Company Information

# Revenue breakdown

Strong growth of Export as % of total revenue

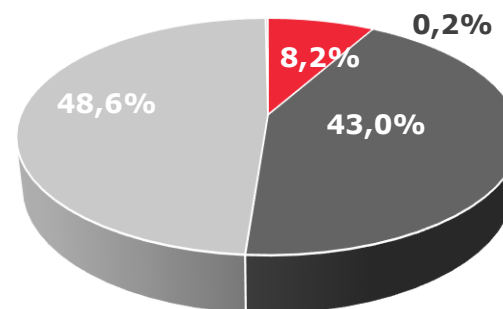
Q1 2019

By Product family



■ Original Equipment ■ After-Sales

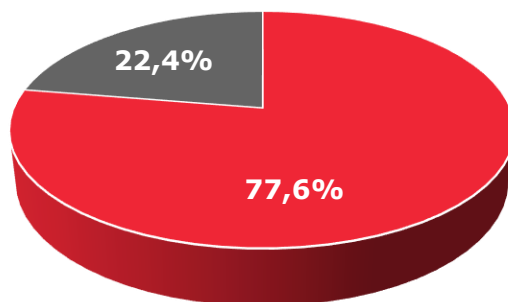
By Geography



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

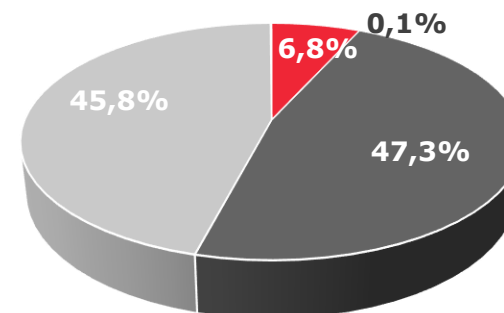
Q1 2018

By Product family



■ Original Equipment ■ After-Sales

By Geography



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

Source: Company Information

# Balance sheet

(€ '000s)F	31.03.2019	31.12.2018	Delta
Trade receivables	58.531	60.970	(2.439)
Inventories	22.703	18.928	3.775
Trade payables	(32.908)	(42.278)	9.370
Other, net <sup>(*)</sup>	(8.517)	(7.131)	(1.386)
<b>Working capital</b>	<b>39.809</b>	<b>30.489</b>	<b>9.320</b>
Property, plant & equipment	5.828	1.871	3.957
Intangible assets	5.098	4.657	441
Financial assets	2.228	2.228	0
Receivables and deferred tax assets	1.357	1.336	21
<b>Non-current assets</b>	<b>14.511</b>	<b>10.092</b>	<b>4.419</b>
Employee severance indemnities and other non-current payables	(2.059)	(1.785)	(274)
<b>Net capital employed</b>	<b>52.261</b>	<b>38.796</b>	<b>13.465</b>
<b>Net financial position (A)</b>	<b>7.752</b>	<b>17.687</b>	<b>(9.935)</b>
<b>Equity (B)</b>	<b>60.013</b>	<b>56.483</b>	<b>3.530</b>
<b>Total sources of financing (B) - (A)</b>	<b>52.261</b>	<b>38.796</b>	<b>13.465</b>

Source: Company Information

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



# Cash flow statement

(€ '000s)	Q1 2019	Q1 2018
Net profit for the period	3.535	10.019
Taxes	1.371	3.908
Other non-monetary changes	411	554
<b>Subtotal</b>	<b>5.317</b>	<b>14.481</b>
(Increase) or decrease in trade and other receivables	2.760	(31.741)
(Increase) or decrease in inventories	(3.775)	(1.393)
Increase or (decrease) in trade and other payables	(9.562)	(1.362)
Taxes paid	0	0
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)</b>	<b>(5.260)</b>	<b>(20.015)</b>
Additions to property, plant and equipment	(189)	(302)
Additions to intangible assets	(631)	(95)
Sale of assets	588	0
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)</b>	<b>(232)</b>	<b>(397)</b>
Dividends paid	0	0
Other changes	(10)	(28)
<b>CASH FLOW USED IN FINANCING ACTIVITIES (C)</b>	<b>(10)</b>	<b>(28)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(5.502)</b>	<b>(20.440)</b>
Opening net financial position	17.687	45.788
Closing net financial position	12.185	25.348

Source: Company Information

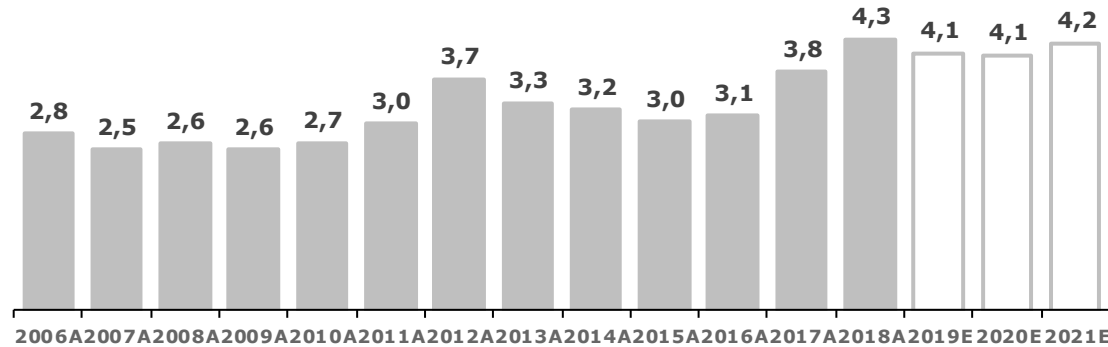


# Appendix

# Tobacco majors are profitable, generating ~€4bn capex and ~€32bn EBITDA

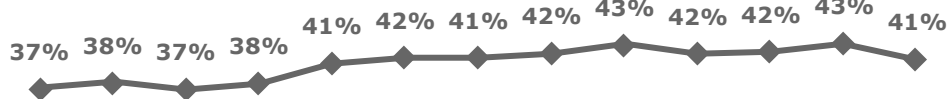
## Tobacco Majors<sup>(1)</sup> Annual Aggregate CapEx

€bn



## Tobacco Majors<sup>(1)</sup> Aggregate EBITDA and Margins

Median EBITDA Margin



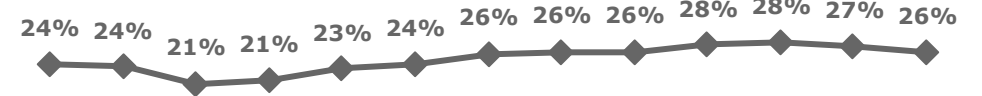
Aggregate EBITDA (€bn)



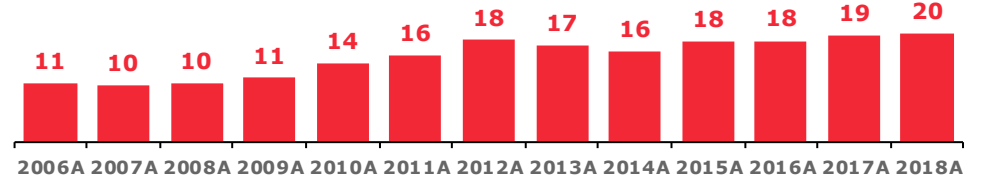
— Aggregate EBITDA — Median EBITDA margin

## Tobacco Majors<sup>(1)</sup> Aggregate Net Profit and Margins

Median Net Profit Margin



Aggregate Net Profits (€bn)



— Aggregate Net Profit — Median Net Profit Margin

Source: Companies annual reports

(1) Philip Morris International, British American Tobacco, Japan Tobacco, Imperial Brands

(2) Excluding Imperial Brands due to unavailable disclosure

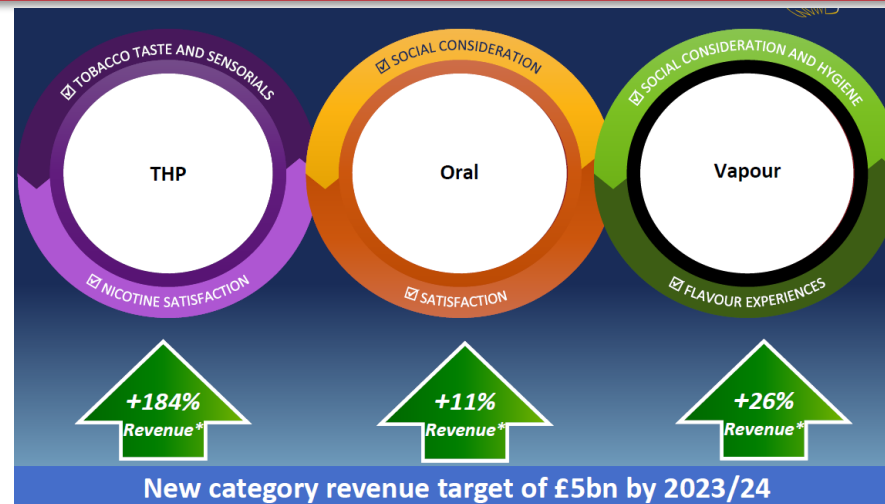
# British American Tobacco

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

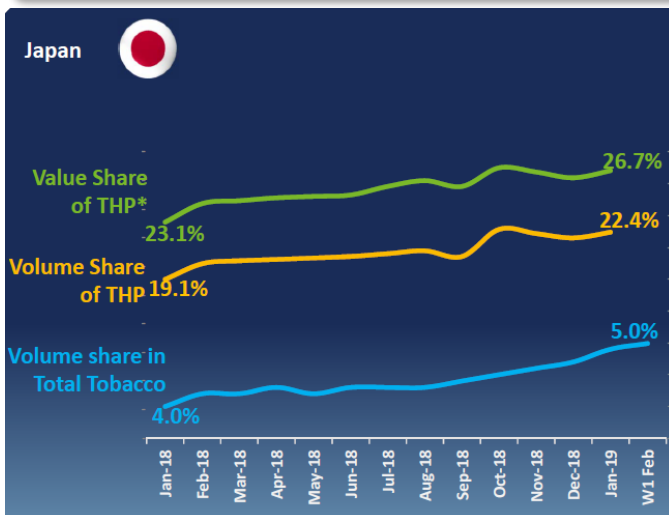
## A Multi-platform Strategy



## NGP: a Significant and Growing Marketplace



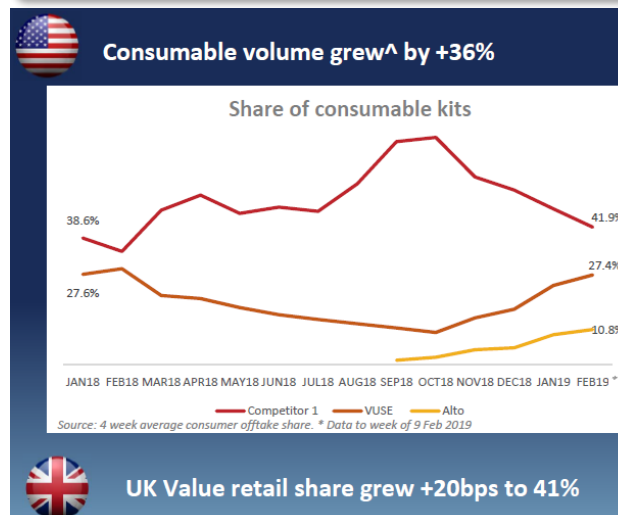
## THP: Growth in Japan as Global Footprint Increases



### Global footprint

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

## Vapour: New markets & Products Driving Growth



### Vype ePen3

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

### Vuse Alto

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

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

# Imperial Brands

*Creating something better for the world's smokers*

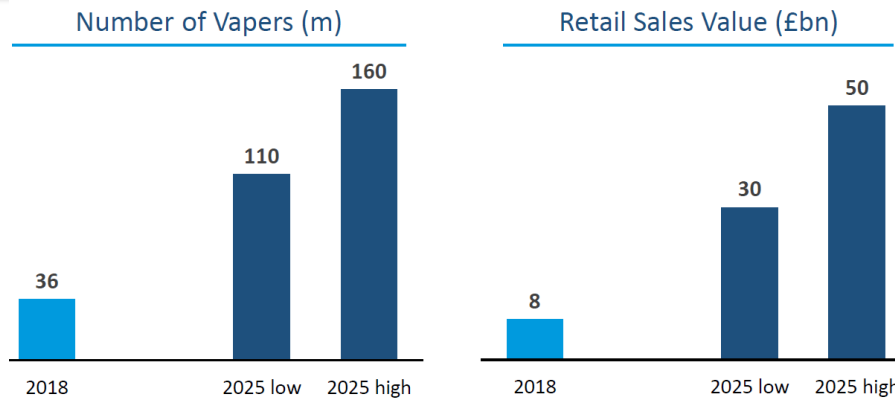
## Approach to Next Generation Products

"We are currently witnessing **the biggest consumer shift in our history**, with millions of smokers around the world choosing to switch to less harmful NGP. As a result, we are increasingly focusing our attention on **developing and expanding our NGP portfolio**, with new product launches in new and existing markets.

At the heart of our strategy is a desire to **create something better for the world's smokers**. We want smokers to switch to **alternative products with lower health risks**."

"We have assembled a strong NGP portfolio, built around our **blu vapour brand**. This, combined with excellence in science and innovation, positions us well to **deliver accelerated growth in the years ahead**."

## Vapour: Additive Growth Opportunity for Imperial



"In the UK, Public Health England and the Royal College of Physicians have concluded that **vaping is substantially less harmful than smoking**."

Source: GIMA TT analysis based on Imperial Brands public materials

## Innovation Behind NGP Portfolio Expansion



## Other NGP: Pulze, Imperial's First HTP

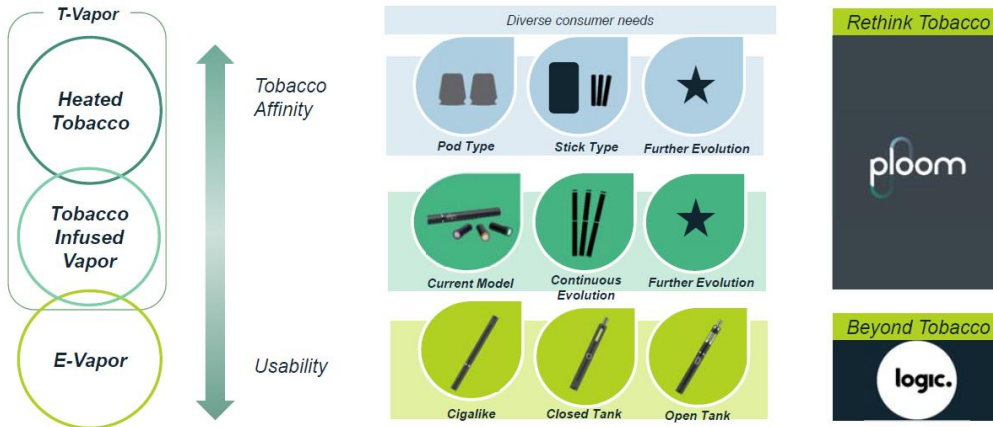


- Better tobacco taste
- Consecutive smokes
- Easy to use & clean
- Options to personalize the experience
- Tested well with consumers

# Japan Tobacco

## RRP is now the centerpiece of strategy

### Fulfill Diverse Consumer Needs ...



### ... Creating the Most Diverse Portfolio



### 2019 New Reduced-Risk Products



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



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

### Sales Area Expansion of Ploom TECH+ and Ploom S

**"We will continue to invest in the Ploom products, which is an exciting growth area for the JT Group"**

- **TECH+** and **Ploom S** were both launched in the Ploom online store and in Ploom shops in January 2019
- **Ploom TECH+** sales area expanded to convenience stores in six prefectures from April. Nationwide sales of Ploom TECH+ to start from mid-June
- **Ploom S** to be sold in those six prefectures from July and nationwide in September
- In Q1 2019, JT's market share in the RRP category estimated c. 8% (offtake base); overall RRP market size in Japan estimated c. 23% of the total tobacco industry (shipment base)

Source: GIMA TT analysis based on Japan Tobacco public materials

# Philip Morris International

## Designing a Smoke-Free Future

### FDA Authorizes Sale of IQOS in U.S. (04/30/2019)

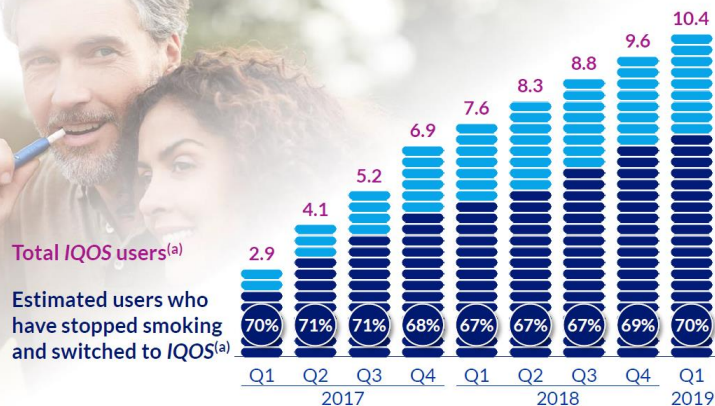
- Historic milestone and an important step forward for the approximately 40 million American men and women who smoke
- The order sets out clear commercialization guidelines, including marketing requirements, that maximize the opportunity for adults to switch from cigarettes, while minimizing unintended use
- FDA has set a high standard and we look forward to working with them to implement the order so that IQOS is reaching the right audience – current adult smokers
- PMI will bring IQOS to the U.S. market through an exclusive license with Altria
- FDA continues to review MRTP applications for IQOS

### Strong Portfolio and Innovation Pipeline to Support Sustainable Growth



### Continued IQOS User Growth

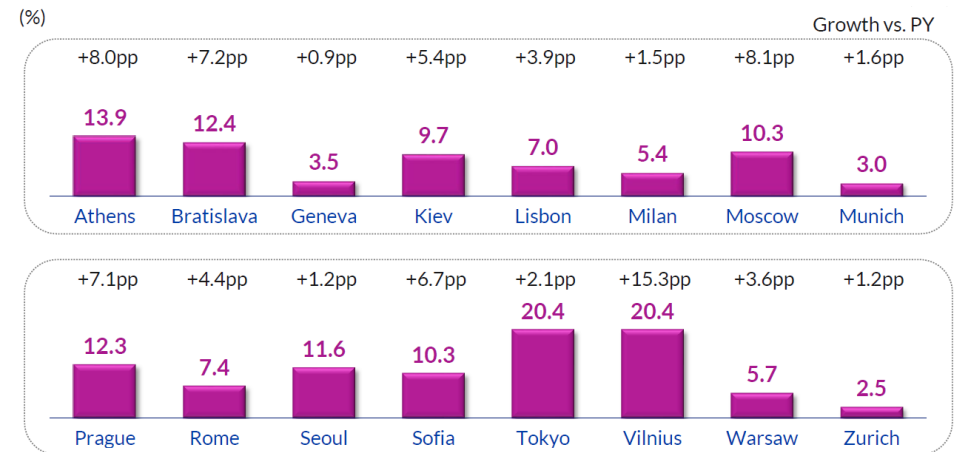
Over 10 Million IQOS Users as of Q1, 2019  
(in millions)



(a) See Glossary for definition

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

### PMI HTU Key City Offtake Shares in Q1, 2019



# 2016 – 2018 Profit & Loss

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

Source: Company Information



# 2016 – 2018 Balance sheet

(€ '000s)	12.31.2016	12.31.2017	12.31.2018	Delta '18 vs '17
Trade receivables	24.068	30.905	60.970	30.065
Inventories	18.171	21.372	18.928	(2.444)
Trade payables	(53.419)	(56.876)	(42.278)	14.598
Other, net <sup>(*)</sup>	(8.250)	(928)	(7.131)	(6.203)
<b>Working capital</b>	<b>(19.430)</b>	<b>(5.527)</b>	<b>30.489</b>	<b>36.016</b>
Property, plant & equipment	658	1.361	1.871	510
Intangible assets	581	2.507	4.657	2.150
Assets	0	0	2.228	2.228
Receivables and deferred tax assets	567	1.072	1.336	264
<b>Non-current assets</b>	<b>1.806</b>	<b>4.940</b>	<b>10.092</b>	<b>5.152</b>
Employee severance indemnities and other non-current payables	(130)	(592)	(1.785)	(1.193)
<b>Net capital employed</b>	<b>(17.754)</b>	<b>(1.179)</b>	<b>38.796</b>	<b>39.975</b>
<b>Net financial position (A)</b>	<b>45.249</b>	<b>45.788</b>	<b>17.687</b>	<b>(28.101)</b>
<b>Equity (B)</b>	<b>27.495</b>	<b>44.609</b>	<b>56.483</b>	<b>11.874</b>
<b>Total sources of financing (B) - (A)</b>	<b>(17.754)</b>	<b>(1.179)</b>	<b>38.796</b>	<b>39.975</b>

Source: Company Information

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

# 2016 – 2018 Cash flow statement

(€ '000s)	2016	2017	2018
Net profit for the period	27.233	44.117	51.841
Income taxes	12.512	16.997	20.035
Other non-monetary changes	951	2.431	2.061
<b>Sub Total</b>	<b>40.696</b>	<b>63.545</b>	<b>73.937</b>
(Increase) or decrease in trade and other receivables	(20.681)	(15.680)	(20.563)
(Increase) or decrease in inventories	(7.349)	(3.201)	2.444
Increase or (decrease) in trade and other payables	21.775	3.988	(16.019)
Taxes paid	(10.711)	(17.861)	(21.813)
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)</b>	<b>23.730</b>	<b>30.791</b>	<b>17.986</b>
Additions to property, plant and equipment	(187)	(941)	(874)
Additions to intangible assets	(305)	(2.200)	(2.755)
Decrease in financial receivables from the parent company	30.576	7.624	0
Addition to financial assets	0	0	(2.228)
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)</b>	<b>30.084</b>	<b>4.483</b>	<b>(5.857)</b>
Dividends paid	(20.108)	(27.001)	(36.960)
Other changes	3	(109)	(3.270)
<b>CASH FLOW USED IN FINANCING ACTIVITIES (C)</b>	<b>(20.105)</b>	<b>(27.110)</b>	<b>(40.230)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>33.709</b>	<b>8.164</b>	<b>(28.101)</b>
Opening net financial position	3.915	37.624	45.788
Closing net financial position	37.624	45.788	17.687

Source: Company Information