

PERIODIC FINANCIAL INFORMATION  
AT MARCH 31, 2019





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AT MARCH 31, 2019

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# INTERIM REPORT ON OPERATIONS

**GIMATT 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**

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### **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**

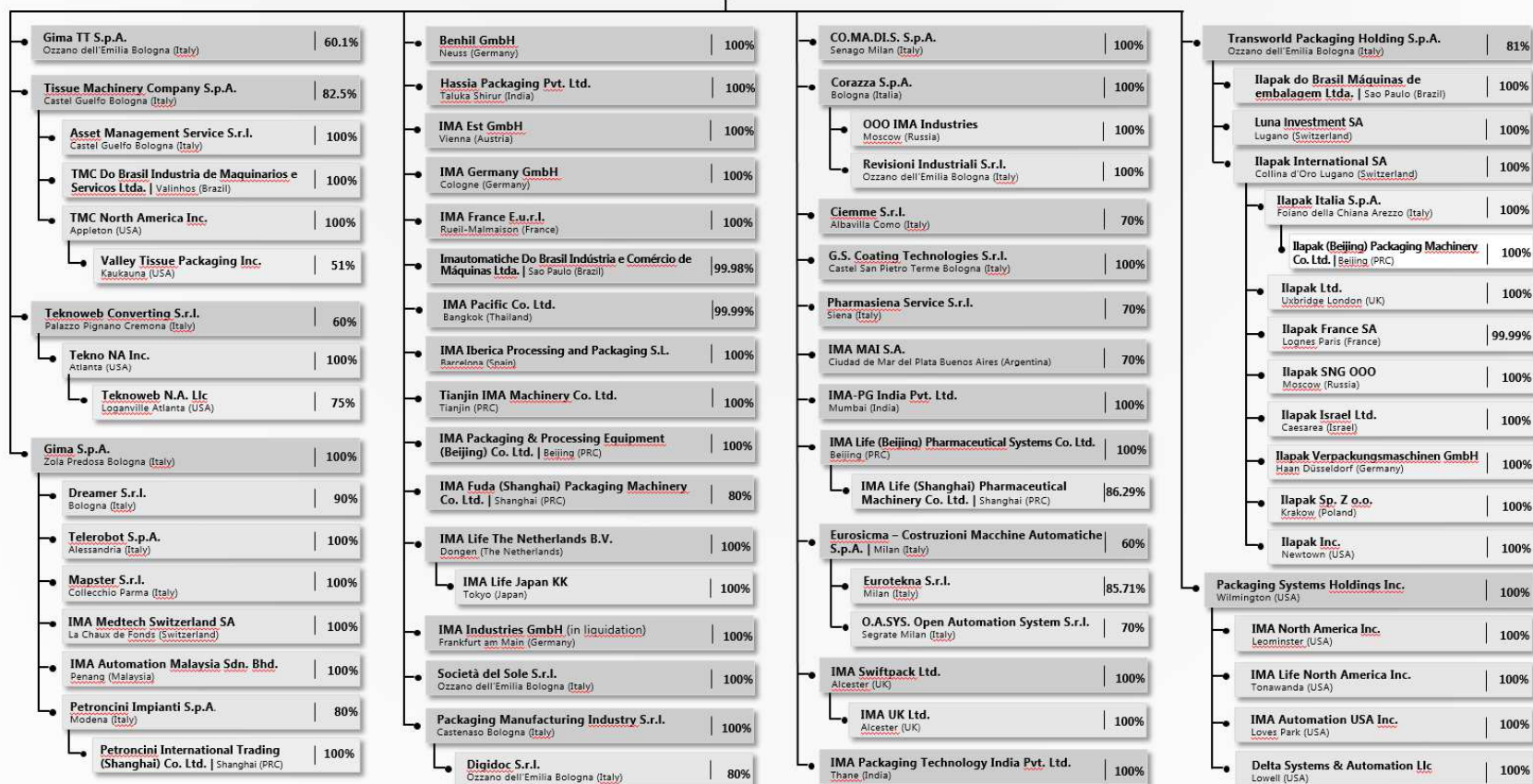
Lorenzo Giorgi

### **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 April 2019 update of its World Economic Outlook, the IMF cut global GDP growth in 2019 by 0.2%, compared with the January figure, which was reduced to 3.3% (3.7% in 2018).

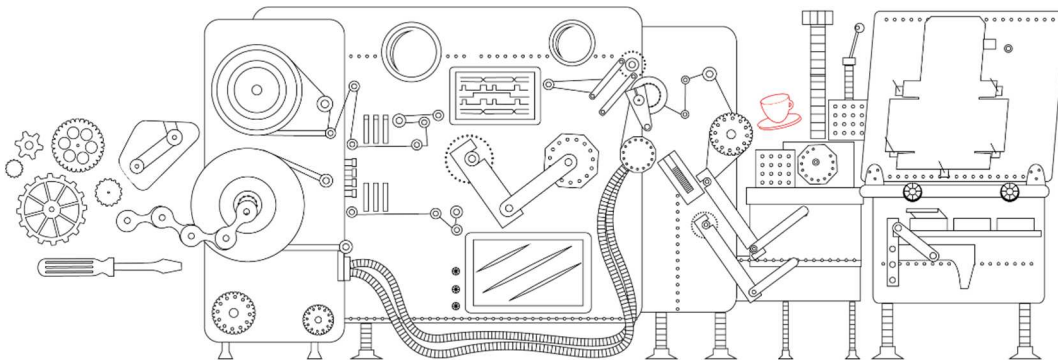
The slowdown is widespread because it concerns both the major advanced economies and those in developing and emerging markets.

As expected, there is no winner in the so-called "tariff war" between the United States and China, even if an agreement is expected to be reached between the two superpowers; the IMF hopes that such an agreement might allow the various countries to work together to reduce tariff barriers and modernize the global trading system.

However, the outlook for global growth remains "uncertain", with a "prudent" outlook because of these commercial tensions, not to mention Brexit and a general risk of instability linked to various factors, such as the upcoming European elections scheduled towards the end of May 2019. As well as for potential turbulence on financial markets.

The IMF is calling on all countries to make more efficient use of fiscal policy, to achieve a better balance between growth, welfare objectives and debt sustainability.

In this macroeconomic context, our Company shows a positive trend, in terms of both revenue and profitability, even if they are down on the same period last year.





## INCOME STATEMENT

The Company's revenue in the first three months of 2019 amounted to € 19,700 thousand, compared with € 41,258 thousand in the same period of 2018.

The following is a summarized version of the income statement for the period under review, with comparative figures for the corresponding period in 2018:

Euro thousands	1st quarter 2019		1st quarter 2018		Change %
	Amount	%	Amount	%	
Revenue from contracts with customers	19.700		41.258		(52,3)
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>	<b>(51,7)</b>
Research and development costs	(775)		(694)		
Commercial and sales costs	(807)		(615)		
General and administrative costs	(1.770)		(1.884)		
<b>Operating profit (EBIT)</b>	<b>4.922</b>	<b>25,0</b>	<b>13.950</b>	<b>33,8</b>	<b>(64,7)</b>
Net financial income (expense)	(16)		(22)		
<b>Profit before taxes</b>	<b>4.906</b>	<b>24,9</b>	<b>13.928</b>	<b>33,8</b>	<b>(64,8)</b>
Income taxes	(1.371)		(3.908)		
<b>Profit for the period</b>	<b>3.535</b>	<b>17,9</b>	<b>10.020</b>	<b>24,3</b>	<b>(64,7)</b>
<b>Gross operating profit (EBITDA)</b>	<b>5.390</b>	<b>27,4</b>	<b>14.129</b>	<b>34,2</b>	<b>(61,9)</b>
<b>Backlog</b>	<b>52.515</b>		<b>112.449</b>		<b>(53,3)</b>

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

## REVENUE FROM CONTRACTS WITH CUSTOMERS AND ORDERS

The Company's revenue in the first three months of 2019 amounted to € 19,700 thousand, compared with € 41,258 thousand in the same period of 2018. This result is motivated by the fact that in the last few months the market of reference guarantees lower visibility linked to a slowdown in penetration of new generation products on the part of our customers.

The backlog at March 31, 2019 amounts to € 47,515 thousand, compared with € 112,449 thousand at the end of the first quarter of the previous year.

Orders acquired during the first three months of 2019 amount to € 13,742 thousand versus € 43,286 thousand in the corresponding period of the previous year.

**GROSS PROFIT**

Gross profit in the first three months of 2019 amounted to € 8,274 thousand (€ 17,143 thousand in the first three months of 2018), with an incidence on revenue of 42.0%, versus 41.6% of the first quarter of 2018. This percentage increase in margins at March 31, 2019 is due to a higher proportion of revenue from after-sales activities on total revenue from contracts with customers, compared with the corresponding period of the previous year.

**RESEARCH AND DEVELOPMENT COSTS**

Research and development costs incurred in the first three months of 2019 amounted to € 775 thousand, versus € 694 thousand in the same period of 2018. 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 the first quarter of 2019, € 612 thousand of development costs were capitalised, still in progress at March 31, 2019 (compared with € 739 thousand in the same period of 2018).

**COMMERCIAL AND SALES COSTS**

In the first three months of 2019 this item came to € 807 thousand, compared with € 615 thousand in the corresponding period of 2018. The incidence of selling costs on revenue is 4.1% (1.5% at March 31, 2018).

**GENERAL AND ADMINISTRATIVE COSTS**

General and administrative costs in the first three months of 2019 amounted to € 1,770 thousand, down compared to the costs incurred in the same period of 2018, equal to € 1,884 thousand, with an incidence on revenue of 9.0% (4.6% at March 31, 2018).

**OPERATING PROFIT (EBIT)**

Operating profit for the first three months of 2019 amounted to € 4,922 thousand, equal to 25.0% of revenue, compared with the result obtained in the corresponding period of 2018, equal to € 13,950 thousand, 33.8% of revenue.

**PROFIT BEFORE TAXES**

Profit before taxes in the first three months of 2019 was € 4,906 thousand, versus € 13,928 thousand in the corresponding period of 2018.

**PROFIT FOR THE PERIOD**

The profit for the first three months of 2019 amounts to € 3,535 thousand and is equal to 17.9% of revenue, compared with € 10,020 thousand in the corresponding period of 2018 (24.3% of revenue), after having deducted taxes for € 1,371 thousand (€ 3,908 thousand in the first three months of 2018).

## STATEMENT OF FINANCIAL POSITION

The Company's statement of financial position at March 31, 2019 and December 31, 2018 is summarized below:

Euro thousands	03.31.2019		12.31.2018		Change%
	Amount	%	Amount	%	
Trade receivables and advances to suppliers	58.531	112,0	60.970	157,2	(4,0)
Inventories	22.703	43,4	18.928	48,8	19,9
Trade payables and advances from customers	(32.908)	(63,0)	(42.278)	(109,0)	(22,2)
Other, net (*)	(8.517)	(16,3)	(7.131)	(18,4)	19,4
<b>Working capital</b>	<b>39.809</b>	<b>76,2</b>	<b>30.489</b>	<b>78,6</b>	<b>30,6</b>
Property, plant and equipment	5.828	11,2	1.871	4,8	211,5
Intangible assets	5.098	9,8	4.657	12,0	9,5
Financial assets	2.228	4,3	2.228	5,7	0,0
Receivables from others and deferred tax assets	1.357	2,6	1.336	3,4	1,6
<b>Non-current assets</b>	<b>14.511</b>	<b>27,8</b>	<b>10.092</b>	<b>26,0</b>	<b>43,8</b>
Employee severance indemnities and other non-current payables	(2.059)	(3,9)	(1.785)	(4,6)	15,4
<b>Net capital employed</b>	<b>52.261</b>	<b>100,0</b>	<b>38.796</b>	<b>100,0</b>	<b>34,7</b>
<b>Net financial position (A)</b>	<b>7.752</b>	<b>14,8</b>	<b>17.687</b>	<b>45,6</b>	<b>(56,2)</b>
<b>Shareholders' equity (B)</b>	<b>60.013</b>	<b>114,8</b>	<b>56.483</b>	<b>145,6</b>	<b>6,2</b>
<b>Total sources of financing (B) - (A)</b>	<b>52.261</b>	<b>100,0</b>	<b>38.796</b>	<b>100,0</b>	<b>34,7</b>

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

The growth in working capital is mainly due to the reduction in trade payables and advances from customers, including contractual liabilities, only partially offset by the reduction in trade receivables.

Non-current assets at March 31, 2019 increased compared with December 31, 2018 due to FTA of IFRS 16 with reference to "Property, plant and equipment".

Net capital employed at March 31, 2019 amounted to € 52,261 thousand, up on the December 31, 2018 figure (€ 38,796 thousand). The increase is mainly due to the growth in working capital, which at the end of the first three months of 2019 amounted to € 39,809 thousand compared with € 30,489 thousand at the end of 2018.

The net financial position is positive at March 31, 2019 and is equal to € 7,752 thousand, against the figure at December 31, 2018 of € 17,687 thousand. The composition of the net financial position at March 31, 2019 and December 31, 2018 is as follows:

<b>Euro thousands</b>	<b>03.31.2019</b>	<b>12.31.2018</b>
A. Cash	6	6
B. Cash equivalents	12.179	17.681
C. Trading securities	0	0
<b>D. Liquidity (A) + (B) + (C)</b>	<b>12.185</b>	<b>17.687</b>
<b>E. Current financial receivables</b>	<b>0</b>	<b>0</b>
F. Current bank liabilities	0	0
G. Current portion of non-current debt	0	0
H. Other current financial payables	(774)	0
<b>I. Current financial indebtedness (F) + (G) + (H)</b>	<b>(774)</b>	<b>0</b>
<b>J. Net financial position, net of current indebtedness (D) + (E) – (I)</b>	<b>11.411</b>	<b>17.687</b>
K. Non-current bank loans	0	0
L. Bonds issued	0	0
M. Other non-current financial payables	(3.659)	0
N. non-current financial activities	0	0
<b>O. Non-current financial indebtedness (K) + (L) + (M) + (N)</b>	<b>(3.659)</b>	<b>0</b>
<b>P. Net financial position (J) + (O)</b>	<b>7.752</b>	<b>17.687</b>

At January 1, 2019, the FTA of IFRS 16 generated the "Amounts due to other lenders" of € 4,433 thousand.

The trend in cash flow during the period was affected above all by the increase in net working capital which absorbed liquidity of over € 9 million, as commented on previously.

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 the first quarter of 2019, the Company made investments in property, plant and equipment for a total of € 189 thousand (€ 302 thousand in the previous year), mainly for buildings, plant and other assets.

In the same period, the Company made investments in intangible assets (industrial patent rights) for € 18 thousand, plus € 612 thousand in assets under development 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.

## 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.

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## OTHER INFORMATION

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### TRANSACTIONS WITH PARENT COMPANIES AND AFFILIATES

During the first three months of 2019, 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.

### 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.

### SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

There were no significant non-recurring events and transactions during the first quarter of 2019.

## **ATYPICAL OR UNUSUAL TRANSACTIONS**

No balances, income or costs arose from atypical and/or unusual transactions in the first quarter of 2019.

## **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD**

There are no significant events to be reported.

## **OUTLOOK FOR OPERATIONS**

Although the reference market has for some months been guaranteeing lower visibility due to a slowdown in the penetration of new generation products on the part of our customers, this does not change our confidence in the Company's growth prospects in a highly profitable sector with large and unchanged potential in the medium term.

The Company is strongly focused on the development of new markets, taking advantage of the Company's propensity for innovation and design capacity, in order to seek new business opportunities that allow diversification of the portfolio, reducing dependence on the tobacco market.

Based on the backlog at March 31, 2019, if current conditions are confirmed in the coming months, the Company believes it can confirm a revenue forecast of approximately € 110 million and a gross operating profit (EBITDA) of around € 40 million.

## **OTHER INFORMATION**

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

According to art. 2428, para 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.

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

# FINANCIAL STATEMENTS AS OF MARCH 31, 2019

**GIMATT 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	Note	31 March 2019	31 December 2018
<b>NON-CURRENT ASSETS</b>			
<i>Property, plant and equipment</i>	1	5.828	1.871
<i>Intangible assets</i>	2	5.098	4.657
<i>Financial assets</i>	3	2.228	2.228
<i>Receivables</i>		12	12
<i>Deferred tax assets</i>	4	1.345	1.324
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14.511</b>	<b>10.092</b>
<b>CURRENT ASSETS</b>			
<i>Inventories</i>	5	22.703	18.928
<i>Trade and other receivables</i>	6	27.574	20.729
<i>Contract Assets</i>	6	34.043	43.670
<i>Cash and cash equivalents</i>	7	12.185	17.687
<b>TOTAL CURRENT ASSETS</b>		<b>96.505</b>	<b>101.014</b>
<b>TOTALE ASSETS</b>		<b>111.016</b>	<b>111.106</b>
SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31 March 2019	31 December 2018
<b>SHAREHOLDERS' EQUITY</b>			
<i>Share capital</i>	8	440	440
<i>Reserves</i>	9	56.038	4.202
<i>Net profit for the year</i>		3.535	51.841
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>60.013</b>	<b>56.483</b>
<b>NON-CURRENT LIABILITIES</b>			
<i>Borrowings</i>	10	3.659	–
<i>Liabilities for employees' benefits</i>	11	134	126
<i>Other payables</i>	12	1.925	1.659
		1	–
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5.719</b>	<b>1.785</b>
<b>CURRENT LIABILITIES</b>			
<i>Borrowings</i>	10	774	–
<i>Trade and other payables</i>	12	37.879	45.989
<i>Contract Liabilities</i>	12	1.464	2.933
<i>Income tax payables</i>	13	3.955	2.566
<i>Provisions for risks and charges</i>	14	1.212	1.350
<b>TOTAL CURRENT LIABILITIES</b>		<b>45.284</b>	<b>52.838</b>
<b>TOTAL LIABILITIES</b>		<b>51.003</b>	<b>54.623</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>111.016</b>	<b>111.106</b>

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE STATEMENT OF FINANCIAL POSITION ARE SHOWN IN NOTE 28.

## INCOME STATEMENT

(€ THOUSANDS)

	Note	from 01.01.2019 to 03.31.2019	from 01.01.2018 to 03.31.2018
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	15	19.700	41.258
<b>OTHER REVENUE</b>	16	812	150
<b>OPERATING COSTS</b>			
<i>Changes in work in progress, semi-finished and finished goods</i>		3.126	597
<i>Changes in inventories of raw, ancillary and consumable materials</i>		649	796
<i>Cost of raw, ancillary and consumable materials and goods for resale</i>	17	(8.083)	(17.259)
<i>Services, rentals and leases</i>	18	(6.015)	(7.141)
<i>Personnel costs</i>	19	(4.712)	(4.199)
<i>Depreciation, amortization and write-downs</i>	20	(468)	(179)
<i>Provisions for risks and charges</i>		138	13
<i>Other operating costs</i>	21	(225)	(86)
<b>TOTAL OPERATING COSTS</b>		(15.590)	(27.458)
<i>- including impact of non-recurring items</i>		-	-
<b>OPERATING PROFIT</b>		4.922	13.949
<i>- including impact of non-recurring items</i>		-	-
<b>FINANCIAL INCOME AND EXPENSE</b>			
<i>Financial income</i>	22	2	1
<i>Financial expense</i>	23	(18)	(23)
<b>TOTAL FINANCIAL INCOME AND EXPENSE</b>		(16)	(22)
<b>PROFIT BEFORE TAXES</b>		4.906	13.928
<b>TAXES</b>	24	(1.371)	(3.908)
<b>NET PROFIT FOR THE PERIOD</b>		<b>3.535</b>	<b>10.019</b>
<b>AVERAGE NUMBER OF ORDINARY SHARES</b>		87.559.500	88.000.000
<b>BASIC/DILUTED EARNINGS PER SHARE (IN Euro)</b>	<b>25</b>	<b>0,04</b>	<b>0,11</b>

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE INCOME STATEMENT ARE SHOWN IN NOTE 28.

## STATEMENT OF COMPREHENSIVE INCOME

(€ THOUSANDS)

	Note	from 01.01.2019 to 03.31.2019	from 01.01.2018 to 03.31.2018
<b>Net profit for the period</b>		3.535	10.019
Other components of comprehensive income which will not be subsequently reclassified to profit or loss for the period:			
Actuarial gains (losses) arising on defined benefit plans	11	(7)	2
Tax effect		2	
<b>Total other components of comprehensive income which will not be reclassified to profit or loss for the period</b>		(5)	2
<b>Gains (losses) booked to equity</b>		(5)	2
<b>Total comprehensive income</b>		<b>3.530</b>	<b>10.021</b>



## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ THOUSANDS)

	Share Capital	Share premium reserve	Treasury Share	Reserve for actuarial Valuation severance indemnities	Other reserve	Retaine earnings	Net profit for the period	Total shareholders' equity
<b>As of</b>								
<b>01.01.2018</b>	<b>440</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>24</b>	<b>34</b>	<b>44.117</b>	<b>44.609</b>
Increase in capital								
Allocation of net profit for 2017								
- Distribution of dividends								
Transfer to reserves								
Net profit for the year						44.117	(44.117)	-
Gain (loss) on discounting employee severance indemnities				2			10.019	10.019
<b>As of</b>								
<b>03.31.2018</b>	<b>440</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>24</b>	<b>44.152</b>	<b>10.019</b>	<b>54.630</b>
<b>As of</b>								
<b>01.01.2019</b>	<b>440</b>	<b>-</b>	<b>(3.010)</b>	<b>(3)</b>	<b>7.181</b>	<b>34</b>	<b>51.841</b>	<b>56.483</b>
Increase in capital								
Allocation of net profit for 2018:								
- Distribution of dividends								
Transfer to reserves						51.841	(51.841)	-
Purchased Treasury Share								
Gain (loss) on discounting employee severance indemnities				(5)			3.535	3.535
<b>As of</b>								
<b>03.31.2019</b>	<b>440</b>	<b>-</b>	<b>(3.010)</b>	<b>(8)</b>	<b>7.181</b>	<b>51.875</b>	<b>3.535</b>	<b>60.013</b>

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

## STATEMENT OF CASH FLOWS

(€ THOUSANDS)

	Nota	31 March 2019	31 March 2018
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		3.535	10.019
Adjustments for:			
- Depreciation and amortization	20	267	179
- (Gain) or loss on disposal of fixed assets		(1)	7
- Change in provisions for risks and charges and liabilities for employee benefits and other non-current payables	10,11	135	343
- Other non-monetary changes		10	24
- Taxes	24	1.371	3.908
<b>Profit from operating activities before changes in working capital</b>		<b>5.317</b>	<b>14.481</b>
(Increase) or decrease in trade and other receivables	6	2.760	(31.741)
(Increase) or decrease in inventories	5	(3.775)	(1.393)
Increase or (decrease) in trade and other payables	12	(9.562)	(1.362)
Taxes paid		-	-
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)</b>		<b>(5.260)</b>	<b>(20.015)</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	1	(189)	(302)
Additions to intangible assets	2	(631)	(95)
(Increase) or decrease in financial receivables from the Parent Company			
Sale of non-current assets		588	-
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)</b>		<b>(232)</b>	<b>(397)</b>
<b>FINANCING ACTIVITIES</b>			
Other changes in financial assets/liabilities		-	(7)
Dividends paid		-	-
Interest paid	23	(12)	(23)
Interest received	22	2	1
Purchased Treasury Share	9	-	-
<b>CASH FLOW USED IN FINANCING ACTIVITIES (C)</b>		<b>(10)</b>	<b>(28)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)</b>		<b>(5.502)</b>	<b>(20.440)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)</b>	7	<b>17.687</b>	<b>45.788</b>

## NOTES TO THE FINANCIAL STATEMENTS

**GIMATT 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.

The periodic financial information at March 31, 2019 was prepared by the Board of Directors on May 14, 2019 and has not been audited.

## B) BASIS OF PREPARATION

### GENERAL PRINCIPLES

The financial statements for the period ended March 31, 2019 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.

The accounting policies used to prepare the periodic financial information at March 31, 2019 are consistent with those used to prepare the financial statements at December 31, 2018, to which the reader is referred for further information, with the exception of first-time adoption of IFRS 16 - Leases, as commented on below.

### IMPLEMENTATION OF ACCOUNTING POLICIES

*Accounting principles, amendments and interpretations applied from January 1, 2019*

The Company has applied IFRS 16 - Leases from January 1, 2019. This standard, published in January 2016, 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 Company applied 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. In particular, the net assets recorded at the date of FTA amounted to € 4,637 thousand, the lease liabilities to € 4,637 million. There are therefore no cumulative effects to adjust the opening balance of the equity and the figures for the comparative period have not been restated.

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 effects at March 31, 2019 of FTA of the standard come to a total of € 4,637 thousand in property, plant and equipment and € 4,433 thousand in amounts due to other lenders.

In the income statement for the first quarter of 2019, the FTA of IFRS 16 led to the elimination of operating lease payments for € 210 thousand and the recognition of depreciation of the right of use and financial charges on the debt of € 201 thousand and € 6 thousand, respectively.

The other amendments and interpretations of accounting standards and methods in force from January 1, 2019 govern circumstances and situations that are not relevant to the Company's financial statements or, in any case, not significant.

#### *Standards issued but not yet effective*

The Company does not foresee significant impacts on equity, results and financial situation deriving from the application of the other standards and interpretations that had already been issued, but were not yet in force at the date of preparation of this document.

#### USE OF ESTIMATES

Preparing interim reports requires the directors to make estimates and assumptions based on their best assessment at the time, which then have an effect on the figures shown in the financial statements and in the notes. These estimates and assumptions are reviewed periodically and the effects of any changes are recognized immediately in the period when circumstances change.

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



### FINANCIAL STATEMENTS

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

Cost and revenue items for the period are presented in two separate statements: an income statement, which analyses costs according to their nature, and a statement of comprehensive income. Income or costs deriving from disposal 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 period is adjusted for the effects of non-monetary transactions, any deferral or accrual of past or future operational collections and payments, any accrued cash movements, revenue or costs deriving from cash flows attributable to investing or financing activities. The Company classifies interest and dividends paid and received as cash flows from financing activities.

The figures contained in the financial statements for the period ended March 31, 2019 are stated in thousands of euros, except where otherwise indicated.

## C) FINANCIAL RISK MANAGEMENT

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### 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.

This periodic financial information does not include all of the disclosures on financial risk management that are required in annual financial statements. It should therefore be read together with the annual report at December 31, 2018.

There have been no substantial changes in financial risk management nor in the policies adopted by the Company during the period.

## CAPITAL RISK MANAGEMENT

The Company manages capital with the goal of supporting its core business and optimising shareholder value. The Company did not have any financial payables at March 31, 2019.

## 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 March 31, 2019, financial assets amounting to € 2,228 thousand (as at December 31, 2018) 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.

## D) 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 first quarter of 2018 for the income statement.

### 1. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the period are analysed as follows:

Euro Thousands	Land and Buildings	Plant and machinery	Industrial and comm. equipment	Other assets	Fixed assets in progress and advances	Total
<b>Balance at 01.01.2019</b>	<b>563</b>	<b>580</b>	<b>204</b>	<b>465</b>	<b>59</b>	<b>1.871</b>
First application IFRS 16	4.637	–	–	–	–	4.637
Additions	95	49	4	41	–	189
Disposals and eliminations	(326)	(282)	(1)	(39)	–	(648)
Depreciation	(216)	(14)	(23)	(31)	–	(284)
Reclassifications and another change	29	25	–	9	–	63
<b>Balance at 03.31.2019</b>	<b>4.782</b>	<b>358</b>	<b>184</b>	<b>445</b>	<b>59</b>	<b>5.828</b>

In relation to the effect of FTA of IFRS 16, please refer to the comments in the section entitled "Implementation of accounting standards".

The increases during the period mainly refer to the costs incurred for the expansion and adaptation of the leased building of the Company's headquarters in Ozzano dell'Emilia (BO), assets for rights of use and the purchase of plant, machinery and electronic machines.

Additions to "Plant and machinery" in the first quarter of 2019 consisted of plant (€ 49 thousand) and machinery (€ 0 thousand). Additions to industrial and commercial equipment concern the purchase of equipment to be used in the production process for € 4 thousand.

The total amount of € 648 thousand relates to the sale of works relating to the building, plant, equipment and other assets held on the premises rented in via Liguria 8 and via Rinascita 25 in Ozzano dell'Emilia sold to IMA S.p.A. on January 1, 2019.

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.

## 2. INTANGIBLE ASSETS

Movements in intangible assets during the period are analysed as follows:

Euro thousands	Development costs	Industrial patent rights	Software, licences and similar rights	Assets under development and advances	Total
<b>Balance at 01.01.2019</b>	<b>3.027</b>	<b>665</b>	<b>115</b>	<b>850</b>	<b>4.657</b>
Additions	–	18	1	612	631
Disposals and eliminations	–	(28)	–	–	(28)
Amortization	(118)	(58)	(8)	–	(184)
Reclassifications and another change	–	22	–	–	22
<b>Balance at 03.31.2019</b>	<b>2.909</b>	<b>619</b>	<b>108</b>	<b>1.462</b>	<b>5.098</b>

Development costs of € 2,909 thousand refer to the implementation of projects relating to new technologies aimed at improving the performance of the lines, in terms of packaging speed and which are expected to be used in the coming years for various customers.

"Industrial patents rights" include the costs incurred during the first quarter of 2019 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, for a total of € 18 thousand.

Software, licences, trademarks and similar rights mainly include applications, operating and technical software.

At March 31, 2019, € 612 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 March 31, 2019, 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 period 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 March 31, 2019 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 period was not significant.

### 4. DEFERRED TAX ASSETS

Deferred tax assets at March 31, 2019 amounted to € 1,345 thousand (€ 1,324 thousand at December 31, 2018) and mainly relate to temporary differences arising on the provision for inventory obsolescence and provisions for risks and charges.

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	03.31.2019			12.31.2018		
	Gross value	Impairment Provision	Net value	Gross value	Impairment Provision	Net value
Raw, ancillary and consumable materials	6.590	(277)	6.313	5.914	(250)	5.664
Work in progress and semi-finished goods	18.131	(1.741)	16.390	14.832	(1.568)	13.264
<b>Total</b>	<b>24.721</b>	<b>(2.018)</b>	<b>22.703</b>	<b>20.746</b>	<b>(1.818)</b>	<b>18.928</b>

The increase in inventories compared with December 31, 2018 relates to the preparation of the lines that will be delivered to customers during subsequent quarters of the 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	03.31.2019	12.31.2018
Trade receivables	23.564	16.838
Receivables from Parent Company and companies controlled by IMA S.p.A.	1.673	1.596
Advances to suppliers	11	171
Tax receivables	1.995	1.974
Deferred costs	309	139
Other receivables	22	11
<b>Total</b>	<b>27.574</b>	<b>20.729</b>

**TRADE RECEIVABLES FROM THIRD PARTIES**

At March 31, 2019, trade receivables include amounts due from customers of € 23,564 thousand, up compared with € 16,838 thousand at December 31, 2018, and consist of receivables from third party customers for completed productions, equal to € 23,535 thousand (€ 16,788 thousand as at December 31, 2018) 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 March 31, 2019, no provision was made for the writedown of receivables. There are no financial components or rights to make returns.

The total amount of receivables assigned without recourse to factoring companies, not yet due at March 31, 2019, comes to € 4,304 thousand.

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

At March 31, 2019 they refer to receivables from the parent company IMA S.p.A. for € 1,671 thousand (€ 1,586 thousand at December 31, 2018) and receivables from subsidiaries of IMA S.p.A. for € 2 thousand (€ 10 thousand at December 31, 2018).

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 28.

Advances for goods intended for use in the production process and services to the parent company amounted to € 749 thousand (€ 1,148 thousand at December 31, 2018).

**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 March 31, 2019 amount to € 11 thousand (€ 171 thousand at December 31, 2018).

TAX RECEIVABLES

Tax receivables amount to € 1,995 thousand at March 31, 2019 (compared with € 9,974 thousand at the end of 2018), of which € 1,854 thousand refer to the VAT credit at March 31, 2019.

DEFERRED COSTS

Deferred costs at March 31, 2019 amount to € 309 thousand and mainly include deferred costs for maintenance fees, annual patent fees, fairs and consultancy.

CONTRACT ASSETS

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

Euro thousands	03.31.2019	12.31.2018
Receivables from customers for completed work	44.273	58.636
Amount due from customers	(10.230)	(14.966)
<b>Total</b>	<b>34.043</b>	<b>43.670</b>

These contract assets consist of the amount due from customers for contracts in progress at March 31, 2019, 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 at March 31, 2019 amounted to € 8,652 thousand.

## 7. CASH AND CASH EQUIVALENTS

This item is made up as follows:

Euro thousands	03.31.2019	12.31.2018
Bank current accounts	12.179	17.681
Cheques and cash in hand	6	6
<b>Total</b>	<b>12.185</b>	<b>17.687</b>

At March 31, 2019 this item amounted to € 12,185 thousand, versus a balance at December 31, 2018 of € 17,687 thousand.

## 8. SHARE CAPITAL

Share capital (fully subscribed and paid up) at March 31, 2019, 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 € 56,038 thousand as at March 31, 2019, against € 4,202 thousand as at December 31, 2018. This item includes retained earnings of € 51,875 thousand, 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 € 8 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 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 March 31, 2019, 440,500 shares were held in portfolio (0.50% of share capital) for a total value of € 3,010 thousand. At December 31, 2018, the Company had the same number of treasury shares in its portfolio.

## 10. BORROWINGS

At January 1, 2019, the FTA of IFRS 16 generated liabilities deriving from amounts due to other lenders, which at March 31, 2019 amounted to a total of € 4,433 thousand; for further information, please refer to the comments in the section entitled "Implementation of accounting standards".

## 11. 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 changes in the provisions during the period were as follows:

Euro thousands	
<b>Balance at 01.01.2019</b>	<b>126</b>
Financial expense	1
Uses	
Net actuarial (gains) losses recognized during the year	7
Transfers	
<b>Balance at 03.31.2019</b>	<b>134</b>

## 12. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

### TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

Euro thousands	03.31.2019	12.31.2018
Trade payables	23.325	30.054
Payables from Parent Company and companies controlled by IMA !	8.868	10.439
Social security payables and defined contribution plans	667	617
Tax payables	1.024	748
Employee payables	3.040	2.966
Other payables	955	1.165
<b>Total</b>	<b>37.879</b>	<b>45.989</b>

### TRADE PAYABLES TO THIRD PARTIES

Trade payables at March 31, 2019 include payables to suppliers and agents for € 10,979 thousand (€ 13,344 thousand at December 31, 2018) and trade payables to companies associated with IMA S.p.A. for € 12,346 thousand (€ 16,710 thousand at December 31, 2018).

### 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 March 31, 2019 they include payables to the parent company IMA S.p.A. for € 8,600 thousand (€ 10,057 thousand at December 31, 2018) and payables to subsidiaries of IMA S.p.A. for € 268 thousand (€ 382 thousand at December 31, 2018). See Note 28 for further information.

### TAX PAYABLES

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



EMPLOYEE PAYABLES

Employee payables at March 31, 2019 amounted to € 3,040 thousand versus € 2,966 thousand at December 31, 2018.

OTHER PAYABLES

Other payables reclassified under non-current liabilities amounted to € 1,925 thousand at March 31, 2019 (compared with € 1,659 thousand at December 31, 2018) and are represented by payables to directors and employees falling due beyond the year.

Other payables reclassified under Current liabilities at March 31, 2019 consist mainly of € 706 thousand relating to payables to directors (€ 944 thousand at December 31, 2018), € 157 thousand relating to credit card payables (€ 114 thousand at December 31, 2018) and € 49 thousand relating to payables to insurance companies (€ 47 thousand at December 31, 2018) and the remainder to various and minor items.

CONTRACT LIABILITIES

This item is made up as follows:

Euro thousands	03.31.2019	12.31.2018
Advances from customers	1.457	2.867
Liabilities related to existing contracts	7	66
<b>Total</b>	<b>1.464</b>	<b>2.933</b>

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

Euro thousands	03.31.2019	12.31.2018
Advances from customers	4.710	4.710
Assets related to existing contracts	(4.703)	(4.644)
<b>Total</b>	<b>7</b>	<b>66</b>

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

## 13. INCOME TAX PAYABLES

Income tax payables at March 31, 2019 amounted to € 3,955 thousand versus € 2,566 thousand at December 31, 2018.

They include the IRES tax payable for € 3,278 thousand and the IRAP tax payable for € 677 thousand.

## 14. PROVISIONS FOR RISKS AND CHARGES

The Company recognized a product warranty provision at March 31, 2019 of € 1,212 thousand.

The movement of this provision during the first three months of 2019 is presented in the following table:

Euro thousands	Figure as of 31.12.2017	Allocation to provision	Uses	Figure as of 31.12.2018
<b>Current:</b>				
Product warranty provision	1.350		(138)	1.212
Other provisions	–			–
<b>Total</b>	<b>1.350</b>	<b>–</b>	<b>(138)</b>	<b>1.212</b>

## 15. 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	from 01.01.2019 to 03.31.2019	from 01.01.2019 to 03.31.2019	Change
European Union (excl. Italy)	6.997	16.796	(9.799)
Other European countries	1.460	2.718	(1.258)
Asia and Middle East	9.581	18.895	(9.314)
Other countries	46	58	(12)
<b>Total export</b>	<b>18.084</b>	<b>38.467</b>	<b>(20.383)</b>
Italy	1.616	2.791	(1.175)
<b>Total</b>	<b>19.700</b>	<b>41.258</b>	<b>(21.558)</b>

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

At March 31, 2019, over 90% of total revenue is made outside Italy. Approximately 44% of revenue is generated by machines and plants, while the other 56% is After-Sales (technical assistance, spare parts, change parts, etc.).

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

## NOTES TO THE FINANCIAL STATEMENTS

Euro thousands	03.31.2019	03.31.2018	Change
Original Equipment	8.652	32.025	(23.373)
After-Sales	11.048	9.233	1.815
<b>Total</b>	<b>19.700</b>	<b>41.258</b>	<b>(21.558)</b>

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	03.31.2019	03.31.2018	Change
Revenue at a point in time	6.936	7.882	(946)
Revenue over time	12.764	33.376	(20.612)
<b>Total</b>	<b>19.700</b>	<b>41.258</b>	<b>(21.558)</b>

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.

### 16. OTHER REVENUE

The item "Other revenue", amounting to € 812 thousand in the first quarter of 2019 (€ 150 thousand in the first three months of 2018), includes the capitalisation of intangible assets in progress, out-of-period income and other revenue.

Out-of-period income mainly refers to positive differences between effective costs and revenue and the estimates accrued in previous years.

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

This item is made up as follows:

Euro thousands	03.31.2019	03.31.2018	Change
Raw materials and semi-finished products	5.714	15.929	(10.215)
Consumable and ancillary materials	161	168	(7)
Goods for resale	2.139	1.021	1.118
Other purchases	69	141	(72)
<b>Total</b>	<b>8.083</b>	<b>17.259</b>	<b>(9.176)</b>

## 18. SERVICES, RENTALS AND LEASES

This item is made up as follows:

Euro thousands	03.31.2019	03.31.2018	Change
External machining and assembly	2.664	3.845	(1.181)
Maintenance and repairs	95	58	37
Energy, telephone, gas, water and postal charges	264	55	209
Commissions	213	91	122
Technical, legal, tax, administrative and commercial consulting :	1.565	1.714	(149)
Advertising and promotions	25	34	(9)
Exhibitions			–
Travel, transport and insurance costs	272	207	65
Freight costs	133	150	(17)
Bank charges	5	3	2
Rent expense	–	266	(266)
Rights of use	3	–	3
Rental instalments	11	13	(2)
Annual patent fees	7	14	(7)
Other services	758	691	67
<b>Total</b>	<b>6.015</b>	<b>7.141</b>	<b>(1.126)</b>

## 19. PERSONNEL COSTS

Personnel costs are made up as follows:

Euro thousands	03.31.2019	03.31.2018	Change
Wages and salaries	2.636	2.299	337
Employee benefits	21	35	(14)
Social contributions	775	667	108
Directors' fees	877	889	(12)
Directors' fees	200	170	30
Other personnel costs	203	139	64
<b>Total</b>	<b>4.712</b>	<b>4.199</b>	<b>513</b>

Personnel costs amount to € 4,712 thousand in the first quarter of 2019, versus € 4,199 thousand in the first quarter of 2018.

In the first quarter of 2019 the Company increased its workforce, employing an average of 167 people, compared with 145 people employed on average in the first quarter of 2018.

There was a headcount of 172 at March 31, 2019, up by 149 on the figure of the first quarter of 2018.

## 20. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

Depreciation and amortization in the first quarter of 2019 of € 267 thousand consist of the depreciation of property, plant and equipment and the amortization of intangible assets, they are made up of:

Euro thousands	03.31.2019	03.31.2018	Change
Depreciation of property, plant and equipment	284	80	204
Amortization of intangible assets	184	99	85
<b>Total</b>	<b>468</b>	<b>179</b>	<b>289</b>

## 21. OTHER OPERATING COSTS

Other operating costs are as follows:

Euro thousands	03.31.2019	03.31.2018	Change
Losses on disposal of fixed assets	4	7	(3)
Other taxes	13	5	8
Out-of-period expense	169	32	137
Other operating expenses	39	42	(3)
<b>Total</b>	<b>225</b>	<b>86</b>	<b>139</b>

## 22. FINANCIAL INCOME

This item is made up as follows:

Euro thousands	03.31.2019	03.31.2018	Change
Bank interest income	2	–	2
Exchange gains	–	1	(1)
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>

## 23. FINANCIAL EXPENSE

This item is made up as follows:

Euro thousands	03.31.2019	03.31.2018	Change
Net interest cost of defined benefit plans	1	–	1
Bank interest expense	–	8	(8)
Charges on leasing contracts	6	–	6
Surety charges	6	14	(8)
Exchange losses	5	1	4
	<b>18</b>	<b>23</b>	<b>(5)</b>

## 24. TAXES

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

## 25. EARNINGS PER SHARE

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

	01.01.2019- 03.31.2019	01.01.2018- 03.31.2018
Profit for the period (in Euro)	3.534.725	10.019.441
Average number of ordinary shares	87.559.500	88.000.000
<b>Earnings per share (in Euro)</b>	<b>0,04</b>	<b>0,11</b>

## 26. GUARANTEES GRANTED

At March 31, 2019, the Company granted guarantees of € 9,390 thousand, € 8,437 thousand for advances received from customers, € 592 thousand against advances not yet collected from customers, € 78 thousand for the Swiss Tax Authorities and € 283 thousand for the Customs Agency for temporary imports of tobacco.

## 27. COMMITMENTS

At March 31, 2019, there are third-party goods at our factories consisting of tobacco sent to us temporarily by customers for € 283 thousand.

## 28. 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 € 1,702 thousand at March 31, 2019, up on the December 31, 2018 figure of € 1,660 thousand.

€ thousands	03.31.2019	12.31.2018	Change
<b>Trade receivables from Parent Company</b>			
IMA S.p.A.	1,671	1,586	85
<b>Total</b>	<b>1,671</b>	<b>1,586</b>	<b>85</b>
<b>Trade receivables from affiliates</b>			
GIMA S.p.A.	2	4	(2)
Digidoc S.r.l.	-	6	(6)
<b>Total</b>	<b>2</b>	<b>10</b>	<b>(8)</b>
<b>Trade receivables from companies affiliated to IMA S.p.A.</b>			
Sil.mac S.r.l.	22	43	(21)
Logimatic S.r.l.	7	21	(14)
<b>Total</b>	<b>29</b>	<b>64</b>	<b>(35)</b>
<b>Total</b>	<b>1,702</b>	<b>1,660</b>	<b>42</b>

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 € 21,968 thousand at March 31, 2019, down on the December 31, 2018 figure of € 27,148 thousand.

€ thousands	03.31.2019	12.31.2018	Change
<b>Trade payables to Parent Company</b>			
IMA S.p.A.	8,600	10,057	(1,457)
<b>Total</b>	<b>8,600</b>	<b>10,057</b>	<b>(1,457)</b>
<b>Trade payables to affiliates</b>			
GIMA S.p.A.	-	137	(137)
IMA North America Inc	-	1	(1)
OOO Ima Industries	260	196	64
Imautomatiche Do Brasil LTDA	8	48	(40)
<b>Total</b>	<b>268</b>	<b>382</b>	<b>(114)</b>
<b>Trade payables to companies affiliated to IMA S.p.A.</b>			
B.C. S.r.l.	28	141	(113)
La.co. S.r.l.	452	634	(182)
Ima S.r.l.	5,366	6,608	(1,242)
Sil.mac S.r.l.	3,460	4,525	(1,065)
Masterpiece S.r.l.	68	74	(6)
Powetransmission.it S.r.l.	1	2	(1)
Logimatic S.r.l.	2,631	3,047	(416)

NOTES TO THE FINANCIAL STATEMENTS

Bolognesi S.r.l.	496	715	(219)
MORC 2 S.r.l.	84	192	(108)
TALEA S.r.l.	17	6	11
RO.SI. S.r.l.	497	765	(268)
<b>Total</b>	<b>13,100</b>	<b>16,709</b>	<b>(3,609)</b>

<b>Total</b>	<b>21,968</b>	<b>27,148</b>	<b>(5,180)</b>
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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 the first quarter of 2019 amounted to € 933 thousand. Details of this revenue, consisting essentially of sales of goods, technical assistance and design services, are shown in the following table:

€ thousands	01.01.2019- 03.31.2019	01.01.2018- 03.31.2018	Change
<b>Revenue from Parent Company</b>			
IMA S.p.A.	926	149	777
<b>Total</b>	<b>926</b>	<b>149</b>	<b>777</b>
<b>Revenue from affiliates</b>			
GIMA S.p.A.	2	8	(6)
<b>Total</b>	<b>2</b>	<b>8</b>	<b>(6)</b>
<b>Revenue from companies affiliated to IMA S.p.A.</b>			
Sil.mac S.r.l.	2	12	(10)
Logimatic S.r.l.	3	2	1
<b>Total</b>	<b>5</b>	<b>14</b>	<b>(9)</b>
<b>Total</b>	<b>933</b>	<b>171</b>	<b>762</b>

Operating costs due to the Parent Company IMA S.p.A. and its subsidiaries and affiliates in the first quarter of 2019 amounted to € 7,102 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	01.01.2019- 03.31.2019	01.01.2018- 03.31.2018	Change
<b>Operating costs - Parent Company</b>			
IMA S.p.A.	4,343	5,991	(1,648)
<b>Total</b>	<b>4,343</b>	<b>5,991</b>	<b>(1,648)</b>
<b>Operating costs - affiliates</b>			
Corazza S.p.A.	-	1	(1)
OOO Ima Industries	260	260	-
Imautomatiche Do Brasil LTDA	8	-	8
<b>Total</b>	<b>268</b>	<b>261</b>	<b>7</b>

**Operating costs to associates of IMA S.p.A.**



## NOTES TO THE FINANCIAL STATEMENTS

B.C. S.r.l.	27	146	(119)
La.co. S.r.l.	137	358	(221)
Iema S.r.l.	833	2,074	(1,241)
Sil.mac S.r.l.	554	1,043	(489)
Masterpiece S.r.l.	10	13	(3)
Powetransmission.it S.r.l.	1	7	(6)
Logimatic S.r.l.	492	697	(205)
Bolognesi S.r.l.	265	274	(9)
MORC 2 S.r.l.	53	57	(4)
RO.SI. S.r.l.	116	-	116
Fare Impresa in Dozza S.r.l.	1	-	1
TALEA S.r.l.	2	-	2
<b>Total</b>	<b>2,491</b>	<b>4,669</b>	<b>(2,178)</b>
<b>Total</b>	<b>7,102</b>	<b>10,921</b>	<b>(3,819)</b>

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

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

Payables - € thousands	03.31.2019	12.31.2018	Change
Costal Projects & Consulting S.r.l.	516	652	(136)
Deltos S.r.l.	135	214	(79)
EPSOL S.r.l.	293	241	52
Morosina S.p.A.	18	-	18
Poggi & Associati	89	-	89
LPM Group S.r.l.	122	-	122
TIMAGE Srl	247	-	247
3-T Srl	156	-	156
Datalogic S.r.l.	178	176	2
TEC.COM. S.a.s.	180	280	(100)
<b>Total</b>	<b>1,934</b>	<b>1,563</b>	<b>371</b>

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

Costs - € thousands	01.01.2019- 03.31.2019	01.01.2018- 03.31.2018	Change
Costal Projects & Consulting S.r.l.	285	334	(49)
Datalogic S.r.l.	2	-	2
Deltos S.r.l.	104	-	104
EPSOL S.r.l.	64	-	64
Morosina S.p.A.	18	24	(6)
Poggi & Associati	89	39	50
LPM Group S.r.l.	21	-	21
TIMAGE Srl	165	-	165
3-T Srl	48	-	48
Verniciatura Ozzanese S.r.l.	-	1	(1)
<b>Total</b>	<b>796</b>	<b>398</b>	<b>398</b>

29. 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.

No significant non-recurring events or transactions were reported during the first three months of 2019.

30. ATYPICAL OR UNUSUAL TRANSACTIONS

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

31. SIGNIFICANT SUBSEQUENT EVENTS

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

## E) DECLARATION OF THE MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS PURSUANT TO ART. 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998

The Manager responsible for preparing financial reports, Lorenzo Giorgi, declares in accordance with article 154 bis paragraph 2 of the Consolidated Finance Act that the accounting information contained in this Periodic Financial Information at March 31, 2019 agrees with the books of account, the accounting entries and supporting documentation.

