



1st Half 2019 Results



August 7, 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 runs 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**

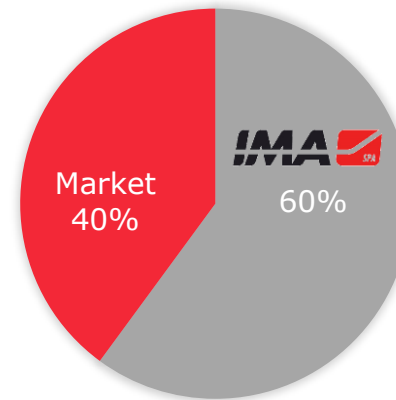
End-market

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

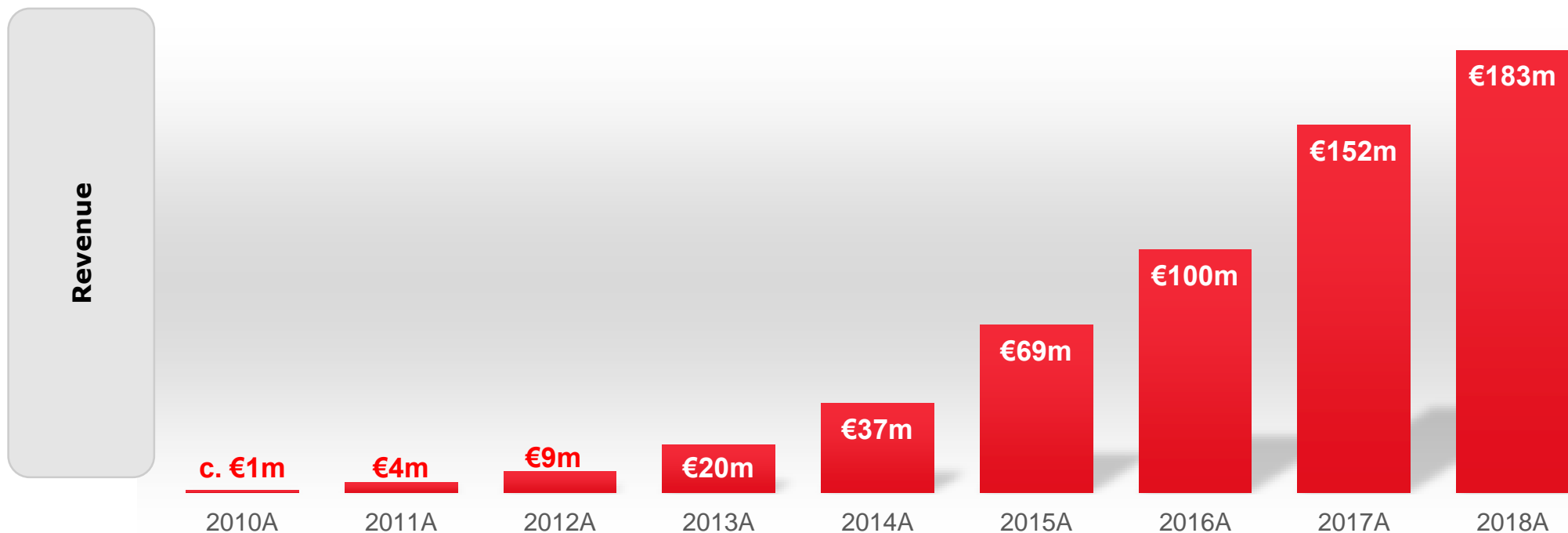
GIMA TT Flex Line



Source: Company information

Corporate milestones

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



Source: Company information

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

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

Machines for NGPs and conventional tobacco products

Flex A



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

Flex-B



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

Flex ST



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

Flex WF



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

Flex CO



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

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

Assembly lines



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

Process machines for liquid or powder



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

Filling machines for Liquid and Powder



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

Primary packaging



- **Blister** packaging or product flow packing

Secondary packing



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



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

Source: Company information

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

Tobacco market trends

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

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

Food and Drug Administration – July 28, 2018

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

Japan Tobacco - July 21, 2017

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

Philip Morris International – June 15, 2018



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

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

Conventional Products	New Generation Products ⁽¹⁾		
	Vaping Systems	Heated Tobacco Products	Examples
   	 	 	  
   		 	  
   	 	 	  
   			 <p>1 Heated Tobacco Products 2 3 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

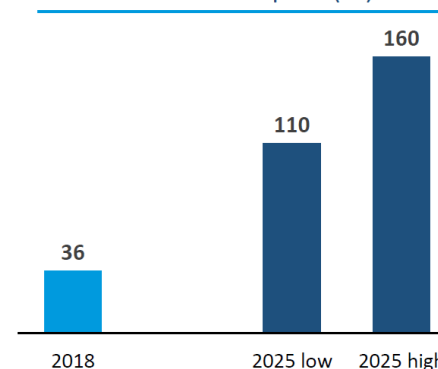
Imperial Brands



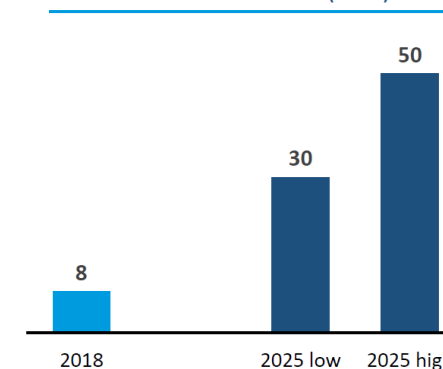
VAPING COULD REACH £50 BILLION BY 2025...



Number of Vapers (m)



Retail Sales Value (£bn)



Philip Morris International

Confident in 90-100 Billion HTU Shipment Target by 2021

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

Source: Companies presentations

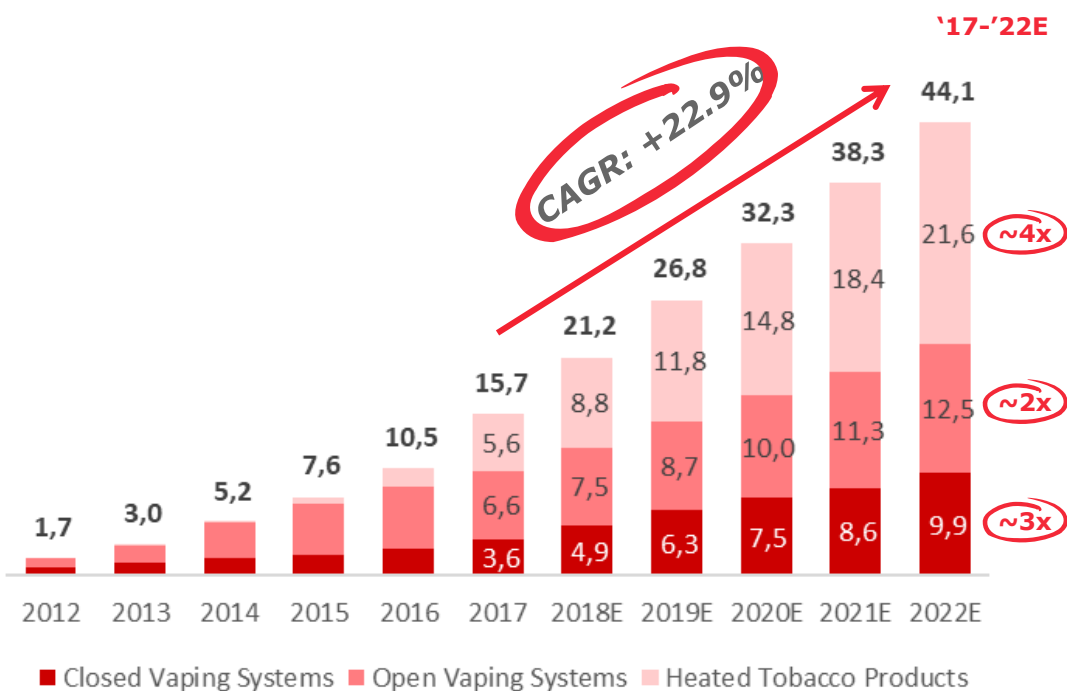
... confirmed by Independent Research, forecasting significant growth for NGPs on a global basis

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)

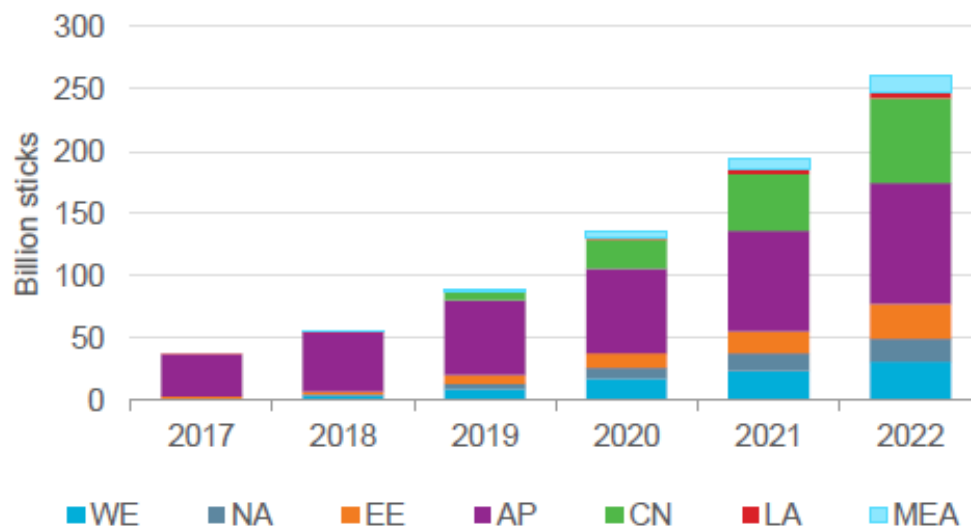
NGPs are expected to count for 5.3% of the global tobacco market in 2022

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⁽¹⁾)

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

Driving machine substitution

(1) Revision of the Tobacco Products Directive



Financial Highlights – 1st HALF 2019

Profit & Loss

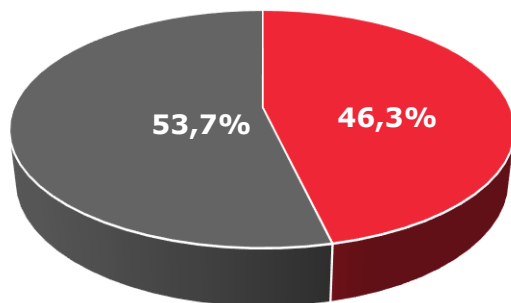
(€ '000s)	H1 2019	%	H1 2018	%
Revenue	39.480	100,0	95.639	100,0
Cost of sales	(23.332)	(59,1)	(53.771)	(56,2)
Industrial gross profit	16.148	40,9	41.868	43,8
R&D costs	(1.770)	(4,5)	(1.017)	(1,1)
Sales costs	(1.507)	(3,8)	(1.300)	(1,4)
General and administrative costs	(3.982)	(10,1)	(3.759)	(3,9)
EBIT	8.889	22,5	35.792	37,4
Finance income/(expense)	(73)	(0,2)	(105)	(0,1)
EBT	8.816	22,3	35.687	37,3
Taxes	(2.464)	(6,2)	(10.014)	(10,5)
Net income	6.352	16,1	25.673	26,8
EBITDA before non-recurring items	10.321	26,1	36.194	37,8
EBITDA	9.825	24,9	36.194	37,8
Backlog	47.051		96.855	
Order intake	33.061		82.073	

Source: Company Information

Revenue breakdown

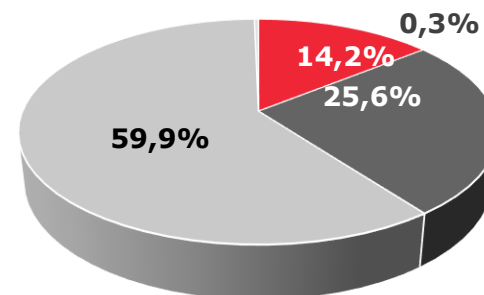
H1 2019

By Product family



■ Original Equipment ■ After-Sales

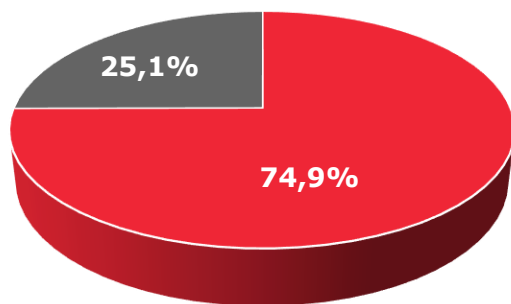
By Geography



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

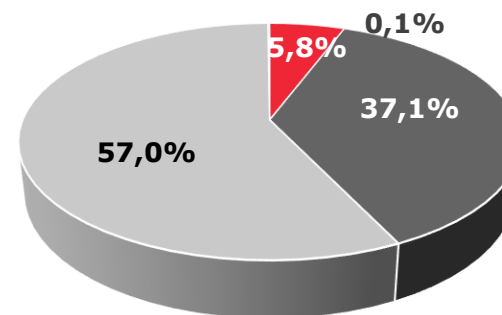
H1 2018

By Product family



■ Original Equipment ■ After-Sales

By Geography



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

Source: Company Information

Balance sheet

(€ '000s)	30.06.2019	31.12.2018	Delta
Trade receivables	27.881	60.970	(33.089)
Inventories	21.560	18.928	2.632
Trade payables	(29.877)	(42.278)	12.401
Other, net ^(*)	(8.856)	(7.131)	(1.725)
Working capital	10.708	30.489	(19.781)
Property, plant & equipment	5.938	1.871	4.067
Intangible assets	5.566	4.657	909
Financial assets	2.228	2.228	0
Receivables and deferred tax assets	1.372	1.336	36
Non-current assets	15.104	10.092	5.012
Employee severance indemnities and other non-current payables	(2.276)	(1.785)	(491)
Net capital employed	23.536	38.796	(15.260)
Net financial position (A)	2.515	17.687	(15.172)
Equity (B)	26.051	56.483	(30.432)
Total sources of financing (B) - (A)	23.536	38.796	(15.260)

Source: Company Information

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

Cash flow statement

(€ '000s)	H1 2019	H1 2018
Net profit for the period	6.352	25.673
Taxes	2.464	10.014
Other non-monetary changes	1.192	1.293
Subtotal	10.008	36.980
(Increase) or decrease in trade and other receivables	34.288	(22.991)
(Increase) or decrease in inventories	(2.632)	616
Increase or (decrease) in trade and other payables	(14.084)	1.816
Taxes paid	-	-
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)	27.580	16.421
Additions to property, plant and equipment	(573)	(753)
Additions to intangible assets	(1.293)	(1.011)
Increase in financial receivable from the parent company	-	-
(Additions) to financial and sales of non-current assets	588	(2.228)
CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)	(1.278)	(3.992)
Dividends paid	(36.775)	(36.960)
Other changes	(444)	(74)
CASH FLOW USED IN FINANCING ACTIVITIES (C)	(37.219)	(37.034)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10.917)	(24.605)
Cash and cash equivalents – opening	17.687	45.788
Cash and cash equivalents – closing	6.770	21.183

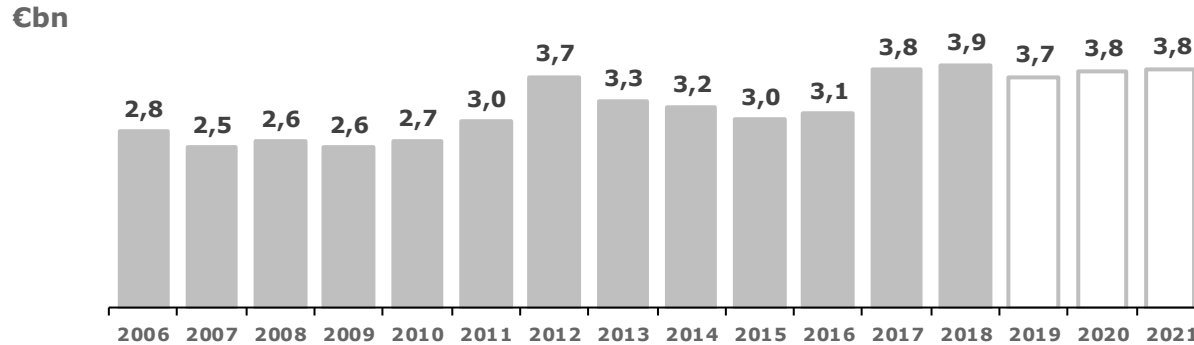
Source: Company Information

A low-angle, grayscale photograph of a modern glass-walled building. The building's facade is composed of large glass panels and dark metal frames, extending into the distance. The sky is bright and overcast. A prominent red curved banner is overlaid on the right side of the image, containing the word "Appendix" in white text. In the foreground, there is a field of tall grass, slightly out of focus.

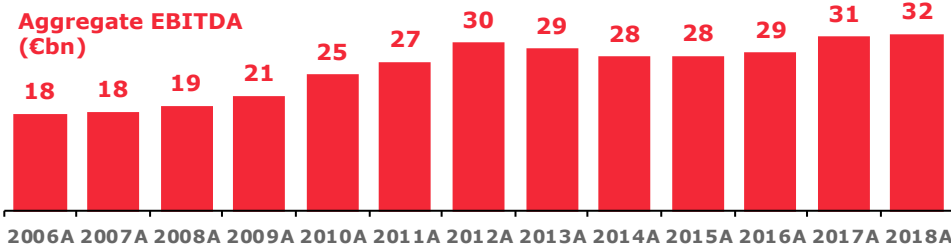
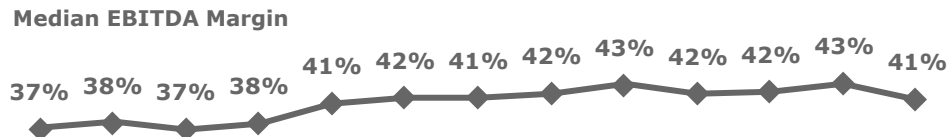
Appendix

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

Tobacco Majors⁽¹⁾ Annual Aggregate CapEx

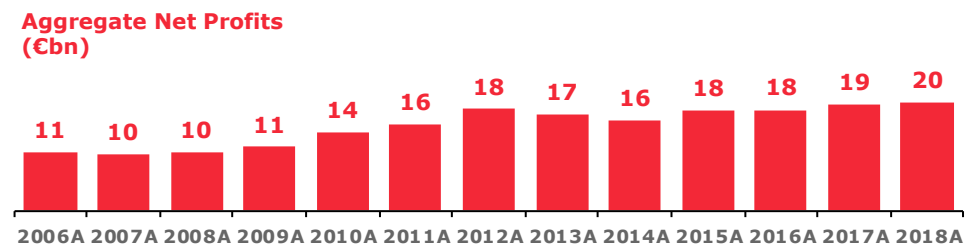
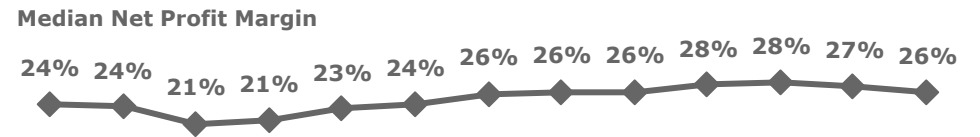


Tobacco Majors⁽¹⁾ Aggregate EBITDA and Margins



— Aggregate EBITDA — Median EBITDA margin

Tobacco Majors⁽¹⁾ Aggregate Net Profit and Margins



— 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



NGPs: Focus on Fewer Stronger Growing Brands



THP: New Activity Expected to Accelerate Growth



Vapour: New Activity Expected to Accelerate Growth



Source: GIMA TT analysis based on British American Tobacco public materials. THP: Tobacco Heating products. *Adjusted and constant rate basis (H1 2019).

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**."

Innovation Behind NGP Portfolio Expansion

blu  myblu growing revenue; investment in brand equity & omnichannel engagement for further future growth

PULZE  Heated tobacco strengthens NGP portfolio; targeted opportunities for growth

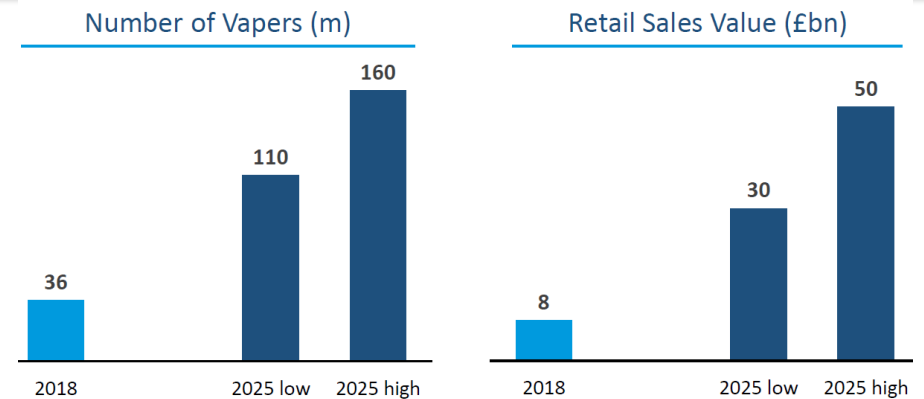
skruf  Market launches with modern oral formats

Pulze, Imperial's First HTP



- Personalised heat modes
- Consecutive smokes
- Smart puff sensor technology
- Safe mode
- Three flavours
- Launched in a city pilot in Fukuoka, Japan, in **May 2019**

Vapour: Additive Growth Opportunity for Imperial



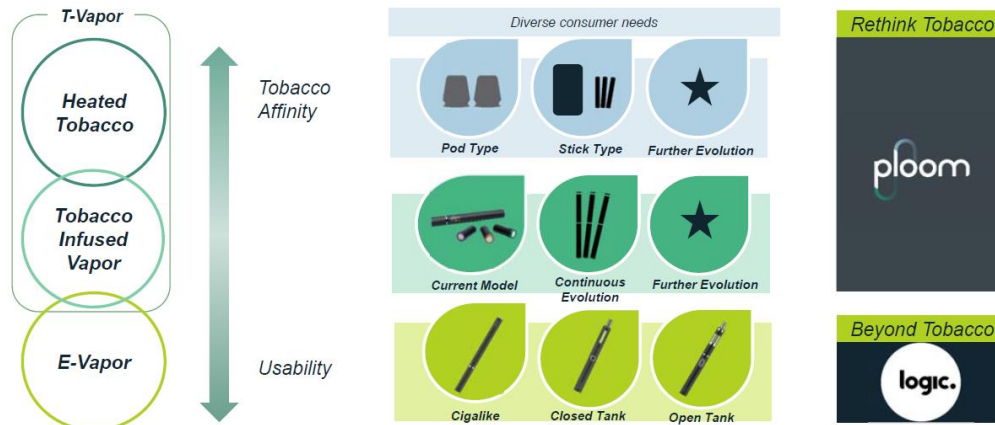
"In the UK, Public Health England and the Royal College of Physicians have concluded that **vaping is substantially less harmful than smoking**."

Source: GIMA TT analysis based on Imperial Brands public materials

Japan Tobacco

RRP is now the centerpiece of strategy

Fulfill Diverse Consumer Needs ...



... With 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**.

RRPs Performance in H1 2019 (Domestic Business)

- JT RRP sales volume increased vs. PY
- JT RRP share within the category is estimated at c. 8%
 - ❖ Strong start of **Ploom TECH+** with nationwide rollout and growth driver of JT RRP share reaching c. 10% in July
 - ❖ Lower than expected share momentum in **Ploom TECH**
 - ❖ **Ploom S** nationwide launch from August 5th

RRP Strategy

Ploom TECH • Pursue efficiency by focusing on consumers who appreciate the benefits unique to Ploom TECH

Ploom TECH+ • Increase marketing support to expand consumer base

Ploom S • Increase awareness and trial through sales promotion

Source: GIMA TT analysis based on Japan Tobacco public materials

Philip Morris International

Designing a Smoke-Free Future

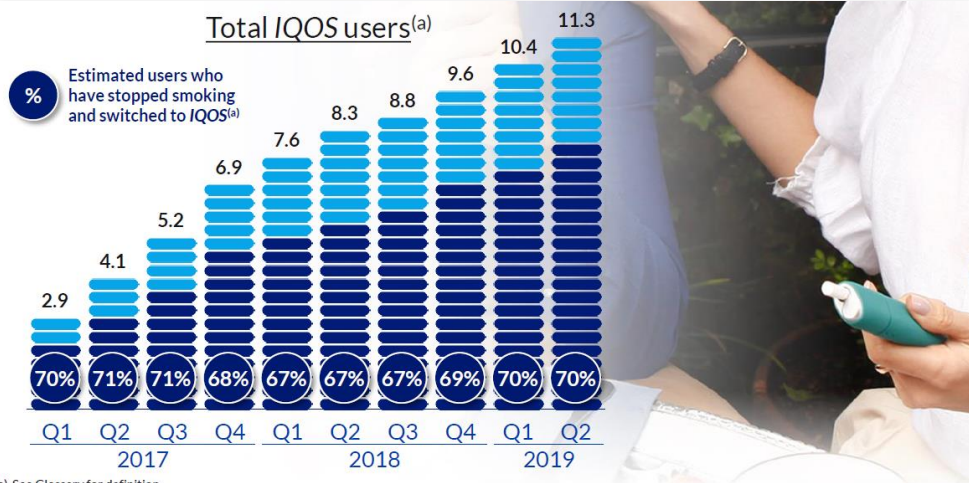
FDA Authorizes Sale of IQOS in U.S. (04/30/2019)

- 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

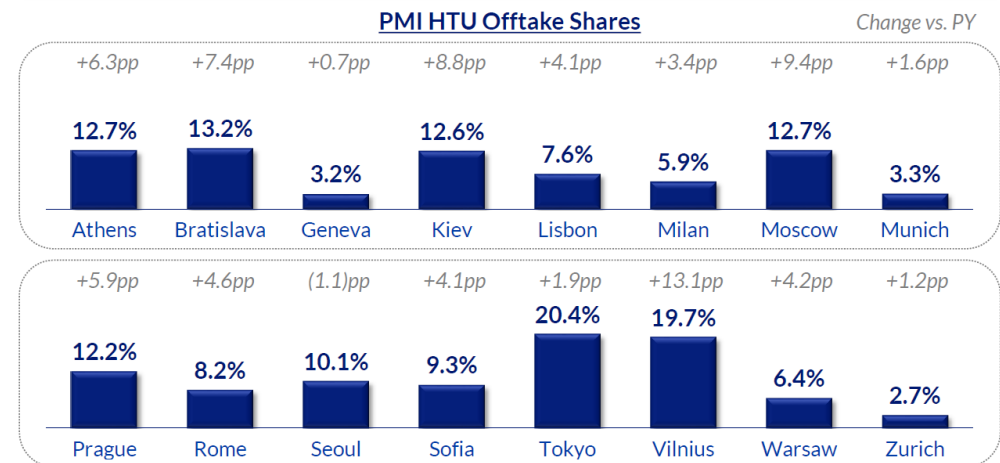
Strong Portfolio and Innovation Pipeline to Support Sustainable Growth



Over 11 Million IQOS Users (Q2 2019)



PMI HTU Offtake Shares in Key Cities (Q2 2019)



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

2016 – 2018 Profit & Loss

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

Source: Company Information

2016 – 2018 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 ^(*)	(8.250)	(928)	(7.131)	(6.203)
Working capital	(19.430)	(5.527)	30.489	36.016
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
Non-current assets	1.806	4.940	10.092	5.152
Employee severance indemnities and other non-current payables	(130)	(592)	(1.785)	(1.193)
Net capital employed	(17.754)	(1.179)	38.796	39.975
Net financial position (A)	45.249	45.788	17.687	(28.101)
Equity (B)	27.495	44.609	56.483	11.874
Total sources of financing (B) - (A)	(17.754)	(1.179)	38.796	39.975

Source: Company Information

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

2016 – 2018 Cash flow statement

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

Source: Company Information