



**MERGER PLAN BY INCORPORATION**  
of GIMA TT S.p.A. into  
I.M.A. Industria Macchine Automatiche S.p.A.

**AUDITORS' REPORT**  
relating to the Exchange Ratio of shares  
pursuant to Article 2501 *sexies* of the Italian Civil Code  
(Translation from the original Italian text)

## AUDITORS' REPORT

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To the Shareholders of  
I.M.A. Industria Macchine Automatiche S.p.A.  
GIMA TT S.p.A.

### 1. Objective, subject and scope of the engagement

In connection with the planned merger by incorporation of GIMA TT S.p.A. (hereinafter "**GIMA TT**" or the "**Merged Company**") into IMA S.p.A. (hereinafter "**IMA**" or the "**Merging Company**" and, together with GIMA TT, the "**Companies**" or the "**Companies Participating in the Merger**"), on June 14, 2019, with decree filed on June 17, 2019, we have been appointed as experts for both IMA and GIMA TT by the President of the Bologna Court, based on a joint request presented by IMA and GIMA TT, to prepare this report (the "**Report**") on the exchange ratio of the shares of the Merging Company with those of the Merged Company (hereinafter the "**Exchange Ratio**") pursuant to Article 2501 *sexies* of the Italian Civil Code.

For this purpose, we have been provided by IMA and GIMA TT with the plan for the merger of GIMA TT into IMA (hereinafter the "**Merger Plan**") approved by the board of directors of the Companies (the "**Boards of Directors**") on June 11, 2019, accompanied by the Directors' Report, which identifies, explains and justifies, pursuant to Article 2501 *quinquies* of the Italian Civil Code, the Exchange Ratio, as well as the financial statements as of December 31, 2018 of IMA and GIMA TT, approved by the respective Shareholders in the meeting of April 30, 2019, audited by us, and that represent the balance sheets required by Article 2501 *quater* of the Italian Civil Code for the merger.

The Merger Plan will be subject to approval at the Extraordinary Meeting of the Shareholders of IMA and GIMA TT to be called pursuant to applicable law and regulation.

To provide the Shareholders with adequate information regarding the Exchange Ratio, this Report illustrates the methods adopted by the Directors in determining the Exchange Ratio and the difficulties encountered by them. In addition, this Report also indicates whether, under the circumstances, such methods are reasonable and not arbitrary, whether the Directors have considered the respective importance of such methods and whether the methods have been correctly applied.

In our examination of the valuation methods adopted by the Directors of IMA and GIMA TT, also based on indications from their advisors (the "**Advisors**"), we have not carried out a valuation of the companies participating to the merger. This was done solely by the Boards of Directors and by their Advisors, represented by Bank of America Merrill Lynch International DAC, Milan Branch ("**Bank of America Merrill Lynch**") for IMA and Equita SIM S.p.A. ("**Equita**") for GIMA TT.

The procedures described in this Report have been performed by us solely for the purposes of expressing an opinion on the valuation criteria adopted by the Directors of the two companies to determine the Exchange Ratio and accordingly:

- they are not valid for different purposes;
- they do not constitute for any reason a valuation on the opportunity of the merger transaction, neither on the reasons for the merger expressed in the Directors' Reports.

## 2. Summary of the Transaction

On June 11, 2019 IMA and GIMA TT (a company controlled and subject to the direction and coordination of IMA, which holds 60.1% of the ordinary share capital), approved and communicated to the market the integration of GIMA TT into IMA (hereinafter the "**Merger**" or the "**Transaction**") and the documents for the Merger. The Merger received the favourable opinion of a committee composed by only independent directors of GIMA TT (the "**Independent Committee**"). In particular, the Independent Committee examined the Merger on the basis of the activities carried out by the following advisors of proven standing: (i) Houlihan Lokey S.p.A., as financial advisor; and (ii) Prof. Francesco Denozza as legal advisor.

The Merger will be effected on the basis of the financial statements of IMA and GIMA TT as of December 31, 2018, adopted by the Boards of Directors of the Companies as the balance sheets required by Article 2501 *quater* of the Italian Civil Code for the Merger (the "**Balance Sheets**").

In implementing the Merger, IMA will cancel the GIMA TT ordinary shares owned at the time the Merger is effective. The other shareholders owning GIMA TT ordinary shares will receive new ordinary shares of IMA in exchange for the existing shares of GIMA TT, on the basis of the Exchange Ratio. The Transaction will become effective through a share capital increase of IMA through the issue of new IMA ordinary shares. In addition, in the context of the Merger, GIMA TT will cancel, without exchange, any treasury shares held at the date of the signing of the deed of Merger.

For use in the Exchange Ratio, the Merging Company will increase its share capital by issuing up to 4,002,726 new ordinary shares with a nominal value of Euro 0.52 each for a maximum nominal amount of Euro 2,081,417.52, applying the Exchange Ratio.

The resolutions approving the Merger will not give rise to any right of withdrawal for the shareholders who have not voted in favour of such resolutions, since: (i) pursuant to Article 2437 *quinquies* of the Italian Civil Code, the Merging Company shares will continue to be listed on the Mercato Telematico Azionario ("**MTA**"); and (ii) pursuant to Article 2437, paragraph 1, letter a, of the Italian Civil Code, following the Merger, there will be no "change in the corporate purpose clause" integrating "a significant change in the activity" of the Merged Company.

The Merging Company's ordinary shares are and, following the Merger, will continue to be, listed on the MTA operated by Borsa Italiana S.p.A..

The newly issued shares of the Merging Company will have the same dividends rights as the existing ordinary shares of IMA at the time the Merger will take effect.

In consideration of the option provided for in Article 6 of the by laws of the Merging Company, it is expected that:

- i) the newly issued shares of the Merging Company that will be allotted in exchange to the shareholders of GIMA TT whose increased voting rights have already matured will automatically be granted increased voting rights in IMA on the effective date of the Merger, and therefore without the need to restart the period of continuous ownership;
- ii) the newly issued shares of IMA that will be allotted to the shareholders of GIMA TT whose increased voting rights have not already matured with respect to their shares of GIMA TT on the effective date of the Merger will be deemed to have been entered on the special list provided for by Article 6 of IMA's by laws as from the date of entry on the special list provided for by Article 6 of GIMA TT's by laws and will consequently acquire increased voting rights in IMA upon the additional conditions required by Article 6 of IMA's by laws for the purpose of increased voting rights being met.

The Merger, in accordance with Article 2504 *bis* paragraph 2 of the Italian Civil Code, will be effective from the date of the last filing of the Merger deed, or from such later date as may be specified in the Merger deed itself.

The completion of the Merger is subject not only to the approval by the extraordinary Shareholders' Meetings of the Companies Participating in the Merger, but also to the fulfilment of the following conditions:

- a) the admission to trading of IMA ordinary shares issued in connection with the Merger on the MTA; and
- b) that, by the date of the signing of the deed of Merger, no events or circumstances have occurred that have or could have a materially negative impact on the businesses, the legal relationships, the liabilities and/or the operating results of the Companies Participating in the Merger or such as to alter the risk profile or the valuations on which the Exchange Ratio is based.

### **3. Documentation utilized**

In performing our work, we obtained directly from IMA and GIMA TT the documentation and information we considered useful in the circumstances. We analyzed the documentation received and, in particular:

- a) the Merger Plan and the Directors' Reports of the Companies Participating in the Merger that will be presented to the respective Extraordinary Meetings, that propose the Exchange Ratio of n. 11.4 IMA new ordinary shares with a nominal value of Euro 0.52, with the same dividend rights as the existing IMA ordinary shares as of the date on which the Merger takes effect, for each n. 100 GIMA TT ordinary share. No adjusting cash settlement is provided for. The Exchange Ratio has been determined by the Board of Directors of the Companies Participating in the Merger also taking into account the reports of the Advisors indicated in point b) below. The Directors' Reports set out the valuation criteria adopted,

- the reasons for their choice, the values resulting from their application and the related comments;
- b) the reports prepared by Bank of America Merrill Lynch for IMA and by Equita for GIMA TT, in order to support the Directors valuations in determining the Exchange Ratio, and the report prepared by Houhilian Lokey for the Independent Committee of GIMA TT;
  - c) the Information Document of Transactions of Major Importance with Related Parties, made available to the public on June 18, 2019
  - d) the statutory and consolidated financial statements at December 31, 2018 of IMA and the financial statements at December 31, 2018 of GIMA TT, audited by us;
  - e) the periodic financial information of IMA and GIMA TT at March 31, 2019;
  - f) the 2019 Budget of IMA and GIMA TT approved by the respective Board of Directors in the meeting of March 15, 2019;
  - g) the Stand Alone Business Plan 2020-2023 of IMA and GIMA TT prepared by the respective management for the purposes of the Merger as the forecast of ATOP S.p.A.;
  - h) information from the accounting and management systems, as deemed necessary to reach the scope of the engagement, as indicated in the preceding paragraph 1;
  - i) the by laws of GIMA TT, the by laws current and the one to be effective after the Merger of IMA, the latter attached to the Merger Plan;
  - j) the supporting documentation for the meetings of the Board of Directors of IMA and GIMA TT that examined the Transaction and of the Independent Committee of GIMA TT;
  - k) historical market prices and trading volumes of ordinary shares of IMA and GIMA TT;
  - l) publicly available information about companies operating in comparable sectors and financial research and analyses, published by specialized institutions and investment banks;
  - m) press releases and information on the Merger made available to the public by IMA and GIMA TT.

Finally, we obtained representation that, based on the best knowledge and belief of the Directors of IMA and GIMA TT, no significant changes occurred in the data and information used in our analysis.

#### **4. Valuation methods adopted by the Directors for the determination of the Exchange Ratio**

As reported in the Directors' Reports, the Directors of the Companies Participating in the Merger determined the Exchange Ratio, also in view of information provided by the Advisors, on the

basis of valuation methods selected among those more commonly used, also internationally, for similar transactions and entities, and considered appropriate to reflect the value of each of the of the Companies Participating in the Merger.

#### **4.1. Selection of the methods and valuation criteria**

In mergers between companies, the objective of the evaluation consists of determining the equity value and the exchange ratio, that is the proportion between the number of shares of the merged company and the number of shares that the merging company allocates to the shareholders of the merged. Accordingly, the main purpose of the valuation of the companies involved in a merger is to obtain the comparable corresponding values for the purposes of the determination of the exchange ratio, rather than to determine stand alone absolute economic value. Therefore, the companies involved in the transaction need to be valued based on homogeneous criteria to obtain comparable results.

Moreover, the comparable corresponding values of IMA and GIMA TT were obtained on a going-concern basis and without considering the economic and financial effects of the Merger. The Companies have been valued on a stand alone basis, not taking into account the potential effects of the Transaction on the entity resulting from the Merger (e.g. cost synergies expected from the Merger).

In light of the above, taking into account: (i) the objective of such evaluations; (ii) evaluation criteria commonly used nationally and internationally; and (iii) the difficulties referred to at paragraph 5, the following evaluation methods have been adopted:

- i) analysis of stock market prices (the “**Stock Market Prices**”);
- ii) analysis of target prices (the “**Target Prices**”);
- iii) analysis of discounted cash flows (the “**Discounted Cash Flows**” or “**DCF**”).

The Directors of IMA, supported by Bank of America Merrill Lynch have further considered a control evaluation method based on the analysis of premiums paid in comparable transactions involving listed companies (“**Analysis of premiums paid in comparable transactions involving listed companies**”), considered less relevant in light of the specific features of the Merger that significantly limit the sample of significant transactions and their effective comparability.

The Directors of GIMA TT, supported by Equita, considering the specific peculiarities of IMA and GIMA TT, have considered relevant the application of the the methods of Stock Market Prices, Target Prices and DCF, while the methods applied by uch Directors do not include the stock market multiples method as the Companies Participating in the Merger are not sufficiently comparable to other listed companies - operating in the packaging machinery sector - in terms of type of business and different economic and financial profiles.

#### **4.2. Description of methodologies used**

This paragraph illustrates the way in which the criteria for assessing and determining the Exchange Ratio have been applied to the Companies Participating in the Merger.

#### 4.2.1 Analysis of Stock Market Prices

##### IMA Directors

IMA Directors considered relevant the analysis of the Stock Market Prices, in light of the status of listed companies of the Companies Participating in the Merger and the significant participation of institutional investors in the share base of both Companies Participating in the Merger.

The historical performance of the stock market prices of the Companies Participating in the Merger and the related implied exchange, in the six months prior to and including June 7, 2019, were examined. In the context of the analysis, it was considered that the prices prior to the period analysed (beyond the previous six months) were of lesser importance considering the numerous announcements that could influence the performance of both Companies Participating in the Merger and in particular: (i) the announcement of the Food and Drug Administration's April 30, 2019 authorisation to market the IQOS system in the United States; and (ii) the May 21, 2019 announcement of IMA's acquisition of the majority of ATOP S.p.A.; (iii) as well as the payment of dividends by both Companies Participating in the Merger.

The exchange ratio implied in the stock market prices of the shares of the Companies Participating in the Merger has been analysed by the Directors over different time intervals, taking into consideration the closing prices of the Companies Participating in the Merger. In particular, the closing prices of the shares of the Companies Participating in the Merger and the weighted average official prices for the volumes traded for the periods of one, three and six months prior to that date were taken into consideration by the Directors and the relative exchange ratio was calculated.

The results of the analysis are summarised in the following table:

Analysis of Stock Market Prices	Exchange Ratio (# IMA shares = 100 GIMA TT shares)
Minimum closing prices (6 months)	9.0
Weighted average for volumes (1 month)	11.1
Weighted average for volumes (3 months)	10.6
Weighted average for volumes (6 months)	11.2
Maximum closing prices (6 months)	13.1

##### GIMA TT Directors

GIMA TT Directors considered relevant the analysis of the Stock Market Prices since it enables the identification of the economic value of a company with the value attributed to it by the stock market on which the company's shares are listed. The methodology consists in evaluating the company's shares on the basis of the market price at a certain date and of the average share price weighted for the volumes traded, recorded on the stock market where the shares are traded, over a certain period of time. In particular, the choice of the period of time used to calculate the average price must strike a balance between mitigating any short-term volatility and the need to reflect the most recent market conditions and the situation of the company to be assessed.

With reference to the stock market listing method, the official prices of IMA and GIMA TT as of June 7, 2019 and the average official prices weighted for volumes traded over time frames of one month, three months and six months prior to June 7, 2019 (included) were analysed by the Directors of GIMA TT.

The date of June 7, 2019 is the last day of trading prior to the meeting of GIMA TT's Independent Committee, in which the latter expressed its favourable binding opinion on the Merger. The Directors noted that from June 7, 2019 to June 11, 2019 - the date of approval of the Merger by the Boards of Directors of the Companies Participating in the Merger - there were no significant changes in the prices of the securities of the Companies Participating in the Merger.

The application of this method has led to the estimation of an Exchange Ratio range between 10.5 and 11.2 IMA shares for every 100 GIMA TT shares.

Analysis of Stock Market Prices	Exchange Ratio (# IMA shares = 100 GIMA TT shares)
Minimum	10.5
Medium	10.8
Maximum	11.2

#### 4.2.2. Analysis of Target Prices published by research analysts

##### IMA Directors

IMA Directors considered relevant the analysis of Target Prices published by research analysts, also in light of the existence of studies published by research firms covering both Companies Participating in the Merger.

The Directors of IMA examined the most recent target prices of the Companies Participating in the Merger, published by research analysts since the publication of the respective financial statements at December 31, 2018.

For the purposes of this analysis, the Directors of IMA considered the exchanges implied in target prices common to the Companies Participating in the Merger, in order to keep the relative evaluation as consistent as possible.

The results of the analysis are summarised in the following table:

Analysis of Target Prices	Exchange Ratio (# IMA shares = 100 GIMA TT shares)
Minimum	9.3
Maximum	12.8

### GIMA TT Directors

GIMA TT Directors considered relevant the analysis of Target Prices expressed by research analysts covering the evaluated securities. The results deriving from the application of this method depend on the evaluation approaches used by the financial analysts and are based on their explicit assumptions regarding the selected comparable companies, the expected future cash flows of the evaluated companies, as well as their current and prospective capital structure. However, according to the Directors of GIMA TT, in order to complete the reference framework of the evaluation methods used, they represent a useful indication for the purposes of determining the value of companies whose securities are listed on the stock market.

With reference to the financial analysts' Target Price method, only the research - published after May 15, 2019 or after the publication of the results as of March 31, 2019 of the Companies Participating in the Merger - issued by financial analysts covering the Companies Participating in the Merger, have been taken into consideration by the Directors of GIMA TT.

The evaluation range for IMA and GIMA TT has been obtained by taking into account the minimum and maximum values of the Target Prices indicated in the above-mentioned research. This interval has led to the estimation of an Exchange Ratio range of 9.1 to 13.7 IMA shares for every 100 GIMA TT shares.

Analysis of Target Prices	Exchange Ratio (# IMA shares = 100 GIMA TT shares)
Minimum	9.1
Medium	11.4
Maximum	13.7

### 4.2.3 Analysis of Discounted Cash Flows

#### IMA Directors

IMA Directors considered relevant the analysis of Discounted Cash Flows to capture the specificities of the Companies Participating in the Merger in terms of profitability, growth, risk levels and capital structure, the Board of Directors of IMA examined the implied value resulting from the analysis of the DCF using the financial projections prepared by management.

Based on this criterion, the value of the economic capital of a company is estimated as the sum of: (i) the present value of the expected unlevered operating cash flows for the explicit projection period, and (ii) a terminal value, net of (iii) net financial debt, minority interests, payables for acquisitions and investments accounted for using the equity method, as well as any other surplus assets/liabilities.

For the purposes of determining the Exchange Ratio interval, the Directors of IMA decided to use the "Sum of the Parties" criterion, according to which the economic value of a company is determined as the sum of the values of its individual assets. In this regard, an analysis of the DCF for IMA without GIMA TT was carried out, evaluating separately its participations in GIMA TT and in ATOP S.p.A. with a homogeneous DCF criterion. The Directors of IMA considered that

this approach, for the purposes of determining the Exchange Ratio, was appropriate in order to maintain a consistent evaluation of GIMA TT both on a stand alone basis and as part of IMA.

The results of the analysis are summarised in the following table:

DCF Analysis	Exchange Ratio (# IMA shares = 100 GIMA TT shares)
Minimum	10.6
Average	11.4
Maximum	12.1

### GIMA TT Directors

GIMA TT Directors considered relevant the analysis of Discounted Cash Flows since this evaluation method takes into account the specific characteristics of the Companies Participating in the Merger in terms of profitability, prospective growth, level of risk and capital structure. Based on this criterion, the value of the economic capital of a company is estimated as the sum of (i) the present value of the expected unlevered operating cash flows over the explicit forecast period, and (ii) a discounted terminal value, taking into account the estimated perpetual growth rate (so-called "Perpetual Growth Rate" or "PGR"), net of (iii) net financial debt, third-parties interests and (with opposite sign) investments accounted by means of using the equity method. The discounting back of the expected cash flows and of the terminal value is calculated on the basis of a rate equal to the weighted average cost of equity capital and financial debt (the so-called "Weighted Average Cost of Capital" or "WACC"). In particular, the cost of debt capital represents the long-term financing rate applicable to companies or economic activities of similar risk, net of the tax effect. The cost of risk capital, on the other hand, reflects the return expected by the investor, taking into account the relative risk of the investment, calculated on the basis of the criterion of the so-called "Capital Asset Pricing Model".

With reference to the DCF method, the Directors of GIMA TT performed an analysis aimed at calculating the present value of the operating cash flows contained in the economic and financial projections provided by management of the Companies Participating in the Merger and, in particular, GIMA TT has been evaluated by discounting its prospective operating cash flows (DCF), while IMA has been evaluated by means of using a "Sum of the Parts" method, according to which the present value of its prospective operating cash flows, excluding those of GIMA TT, and has been added to the value resulting from the application of the DCF method to GIMA TT and ATOP S.p.A., as indicated in the previous point. This approach takes into account the different growth and risk profiles of the businesses of the Companies Participating in the Merger, for which it was considered appropriate to apply different perpetual growth rates (PGR) and discount rates (WACC).

The application of this method has led to the estimation of an Exchange Ratio range between 10.1 and 13.0 IMA shares for every 100 GIMA TT shares.

DCF Analysis	Exchange Ratio (# IMA shares = 100 GIMA TT shares)
Minimum	10.1
Average	11.6
Maximum	13.0

#### 4.2.4 Analysis of premiums paid in comparable transactions involving listed companies

##### IMA Directors

IMA Directors considered relevant the analysis of premiums paid in comparable transactions involving listed companies as it enables understanding of the fundamental values and the specificities of the Companies Participating in the Merger in terms of profitability, growth, risk level and capital structure.

In order to verify the accuracy of the Exchange Ratio determined using the above-mentioned criteria, the Directors of IMA carried out a control analysis and the implicit premiums recognised in transactions involving two companies listed on selected European markets, in which the consideration received by the target shareholders was entirely in shares, were analysed by the Directors of IMA.

The result of this illustrative analysis is summarised in the following table:

Analysis of premiums paid in comparable transactions involving listed companies	Exchange Ratio (# IMA shares = 100 GIMA TT shares)
Minimum	10.5
Maximum	12.0

##### GIMA TT Directors

The Directors of GIMA TT have not considered relevant this methodology as the Companies Participating in the Merger are not sufficiently comparable to other listed companies in terms of type of business (operating companies vs. financial holdings) and different structure and scopes of the transactions.

## 5. Valuation difficulties encountered by the Directors

##### IMA Directors

To obtain the aforementioned results, also pursuant to Article 2501 *quinquies* of the Italian Civil Code, the Directors have not encountered any particular difficulties arising from the application of the valuation methodology adopted to determine the Exchange Ratio.

The evaluations carried out by the Directors of IMA to determine the Exchange Ratio must be considered in the light of certain limits and critical features, typical in this area of analysis, as well as the specific characteristics of the Companies Participating in the Merger.

Specifically:

- i) with reference to the analysis of Stock Market Prices, the volatility of the securities, determined by events specific both to the Companies Participating in the Merger and to the reference market, may influence the trend of the share prices of such companies, potentially limiting their significance for valuation purposes. Consequently, the Directors deemed appropriate to give greater importance to market data from the six months prior to June 7,

2019, with particular attention to the last month in light of recent events relating both to GIMA TT (announcement of the authorisation by the Food and Drug Administration to market the IQOS system in the U.S.) and IMA (agreement for the acquisition of the majority of ATOP S.p.A.), which make longer time series less relevant;

- ii) the economic and financial projections used for the purposes of the evaluations depend substantially on macroeconomic and political conditions, as well as on the reference market in which the Companies Participating in the Merger operate. For this reason, current macroeconomic uncertainties and possible changes in the reference market, as well as any changes in the assumptions underlying the aforesaid evaluations, could have an impact, possibly significant, on the results of the analyses and evaluations carried out;
- iii) with reference to the analysis of Premiums paid in comparable transactions involving listed companies, the uniqueness of the transaction in question, between two listed operating companies in which one already holds more than 50% of the share capital of the other and exercises management and coordination activities on it, limits the identification of a large sample of significant transactions. Consequently, it was used as a control method; and
- iv) in light of the lack of listed companies considered sufficiently comparable to the Companies Participating in the Merger and the volatility of their stock market multiples, the stock market multiples method was deemed not relevant for the purposes of determining the Exchange Ratio.

#### GIMA TT Directors

The evaluations adopted by the Directors of GIMA TT, with the support of Equita, for the determination of the Exchange Ratio must be considered in the light of certain difficulties and limitations which can be summarised as follows:

- i) the application of the Discounting Cash Flows (DCF) method was carried out using economic and financial projections provided by management of the Companies Participating in the Merger, which, by their nature, are uncertain and undetermined;
- ii) the use of the Stock Market Price method implies difficulties and limitations due to the underlying assumption that the market is sufficiently efficient and liquid. In addition, the market price trend was characterized by high volatility, particularly with regard to the GIMA TT stock;
- iii) the methods applied do not include the stock market multiples method as the Companies Participating in the Merger are not sufficiently comparable to other listed companies - operating in the packaging machinery sector - in terms of type of business and different economic and financial profiles.

## 6. Results of the valuation performed by the Directors

### IMA Directors

IMA Directors, considering the aforementioned valuation analyses, which take into account the indications of their Advisors, approved the Exchange Ratio of n. 11.4 IMA new ordinary shares with a nominal value of Euro 0.52, with the same dividend rights as the existing IMA ordinary shares as of the date on which the Merger takes effect, for each n. 100 GIMA TT ordinary share.

The Exchange Ratio falls within the price ranges resulting from the application of the main evaluation methods and the control evaluation method.

### GIMA TT Directors

GIMA TT Directors, considering the aforementioned valuation analyses, which take into account the indications of their Advisors, approved the Exchange Ratio of n. 11.4 IMA new ordinary shares with a nominal value of Euro 0.52, with the same dividend rights as the existing IMA ordinary shares as of the date on which the Merger takes effect, for each n. 100 GIMA TT ordinary share.

The Exchange Ratio falls in a range of values between a minimum of n. 10.8 IMA shares for every n. 100 GIMA TT shares - represented by the mid-point of the Exchange Ratio range obtained by means of applying the stock market listing method - and a maximum of n. 11.6 IMA shares for every n. 100 GIMA TT shares, represented by the mid-point of the Exchange Ratio range obtained by means of applying the DCF method.

The Merger further received the favourable opinion of the Independent Committee of GIMA TT that performed the procedures required by the related parties' procedure of GIMA TT, supported by Houlihan Lokey S.p.A., as financial advisor, and Prof. Francesco Denozza as legal advisor.

## 7. Work done

### **7.1. Work done on the "documentation utilized" as mentioned at paragraph 3**

The financial statements of IMA and GIMA TT at December 31, 2018, approved by the Shareholders' Meetings on April 30, 2019, which represent the balance sheets required by Article 2501 *quater* of the Italian Civil Code, have been audited by us.

We have performed certain analytical review procedures on the unaudited periodic financial information at March 31, 2019 of IMA and GIMA TT. Our procedures consisted of discussions with management of IMA and GIMA TT, with the objective of identifying the accounting policies used and the significant events characterizing the preparation of these financial statements, in addition to analyse the amounts reported.

With respect to the forecast financial information included in the 2019 Budget and in the StandAlone Business Plan 2020-203 of IMA and GIMA TT and the forecast financial information of ATOP S.p.A., while considering the inherent uncertainty and limits of any type of forecast, we

have discussed with management of IMA and GIMA TT the main characteristics of the forecasting process and the criteria used for their compilation.

In addition, we met with management of IMA and GIMA TT and discussed on the subsequent events with respect to the balance sheets mentioned above that could have a significant effect on the values being examined by the Directors, and obtained additional information considered relevant for the purposes of our Report.

The above activities have been performed to the extent necessary for the purpose of our engagement, indicated in paragraph 1 above.

## **7.2. Work done on the methods used to determine the Exchange Ratio**

We performed the following procedures:

- analysis of the Merger Plan, the Directors' Reports and the reports of their respective Advisors, to verify the completeness and consistency of the processes followed by the Directors and by their Advisors to determine the Exchange Ratio, as well as the consistent application of the valuation methods;
- sensitivity analyses within the valuation methods adopted, with the aim to verify to what extent the Exchange Ratio would be affected by changes in the assumptions and parameters, considered to be significant;
- verification of the consistency of data utilized, with respect to the reference sources and with the "Documentation used", described in paragraph 3 above;
- verification of the mathematical accuracy of the calculation of the Exchange Ratio, derived from the application of the valuation methods used by the Directors, also on the basis of their Advisors' indications;
- meetings with IMA and GIMA TT management and their Advisors to discuss the activities performed, the issues encountered and the solutions implemented.

We discussed with IMA and GIMA TT management, and obtained representations that, based on the best of their knowledge and belief, no significant changes occurred in the data and information used in our analysis, and that there have been no events that would require a modification of the valuation expressed by the Directors in the determination of the Exchange Ratio.

The above activities have been performed to the extent necessary for the purpose of our engagement, indicated in paragraph 1 above.

## **8. Comments on the reasonableness of the methods used and the validity of the estimates**

With reference to this engagement, we wish to draw attention to the fact that the principal purpose of the process used by the Directors was to identify an estimate of relative values of the

companies involved in the merger, by applying consistent criteria, in order to obtain comparable values. In fact, the main objective of valuations for mergers is to identify comparable values in order to determine the exchange ratio, rather than to determine absolute values of the companies involved.

Accordingly, valuations for merger transactions have a meaning solely in respect of their relative profile and cannot be regarded as estimates of the absolute values of the companies with respect to transactions different from the merger.

We performed a critical analysis of the methods used by the Directors to determine the relative value of the Companies Participating in the Merger and, as a consequence, of the Exchange Ratio, verifying the technical adequacy in the specific circumstances, considering the whole Transaction.

With regards to the valuation methods adopted, we note that:

- the methods adopted, namely Stock Market Prices, Target Prices and DCF, are widely used in the Italian and in the international professional practice, they are based on accepted valuation doctrine and on parameters determined through a generally accepted methodology process;
- the methods appear adequate in the circumstances, in light of the characteristics of the Companies Participating in the Merger;
- they have been developed on a stand alone basis, in conformity with the valuation framework required by the merger;
- the methods adopted by the Directors of the Companies Participating in the Merger, with the support of their Advisors, ensured that the valuation methods are consistent and thus that the values are comparable;
- the application of more than one method broadened the valuation process and allowed substantial verification of the results obtained.

With reference to the application of the valuation methods made by the Directors, we note that:

- the analysis of the Stock Market Prices enables the identification of the economic value of a company with the value attributed to it by the stock market on which the company's shares are listed. The methodology consists in evaluating the company's shares on the basis of the market price at a certain date and of the average share price weighted for the volumes traded, recorded on the stock market where the shares are traded, over a certain period of time. In particular, the choice of the period of time used to calculate the average price must strike a balance between mitigating any short-term volatility and the need to reflect the most recent market conditions and the situation of the company to be assessed. The methodology consists of evaluating the company's shares based on the market price at a certain date and on the average price of the shares, recorded on the stock market where the shares are traded, during a given time interval. The Directors of IMA and GIMA TT considered to be insignificant the stock market prices subsequent to the announcement of the transaction that took place on Tuesday, June 11, 2019. The Directors based their analysis on the periods prior to Friday, June 7, 2019, the reference date of their analyses. In order to mitigate the

short-term fluctuations that typically characterize the financial markets, the Directors have proceeded to extend, *inter alia*, the analysis of the prices to the average data expressed by the market in sufficiently wide time intervals. Therefore, in the application of the Stock Market Price method, the Directors of IMA and GIMA TT proceeded, *inter alia*, to the analysis of the historical averages weighted for volumes over a period of 1, 3 and 6 months prior to the date of June 7, 2019 (included).

- The Target Prices method consists of the analysis of the target prices expressed by research analysts covering the securities being valued. The results deriving from the application of this method depend on the valuation approaches used by financial analysts and are based on their explicit assumptions regarding the selected comparable companies, the expected future cash flows of the companies being valued as well as the current capital structure and perspective of the same. However, they represent a useful indication for the purpose of determining the value of companies whose securities are listed, completing the picture with the analysis of the valuation references.
- The DCF method, in the Sum of the Parts version, is generally applied in professional practice in the evaluation of complex business realities, characterized in the specific case by the presence of different destination markets. The use of this method allowed to take into account the different growth and risk profiles of the businesses of the Companies Participating in the Merger. The choice of the DCF method is also justified by the activity carried out by the Companies Participating in the Merger, which makes both the income and financial aspects relevant for the assessment process.

## **9. Specific limitations encountered by the auditors in carrying out the engagement**

As previously indicated, in the execution of our work we utilized data, documents and information provided to us by the Companies Participating to the Merger, assuming the truthfulness, correctness and completeness, without performing controls on them. Similarly, we have not performed, since they were out of the scope of our engagement, controls and/or valuations on the validity and/or effectiveness of the transactions completed by IMA and GIMA TT and/or by their subsidiaries, neither on the related acts or on the effects of the Merger on them.

The valuations performed by the Directors of the Companies Participating in the Merger applying the Discounted Cash Flows methodology are based on financial and economic projections which, by their nature, are uncertain and are subject to potentially significant variances caused by markets or macroeconomic unexpected changes. It should also be taken into consideration that since the realization of any future event is uncertain in terms of occurrence, timing and measurement, the differences between the actual values and the projections could be material, even when the events provided in the projections actually occur.

The completion of the Merger is subject not only to the approval by the extraordinary Shareholders' Meetings of the Companies Participating in the Merger, but also to the fulfilment of the following conditions:

- a) the admission to trading of IMA ordinary shares issued in connection with the Merger on the MTA; and

b) that, by the date of the signing of the deed of Merger, no events or circumstances have occurred that have or could have a materially negative impact on the businesses, the legal relationships, the liabilities and/or the operating results of the Companies Participating in the Merger or such as to alter the risk profile or the valuations on which the Exchange Ratio is based.

## 10. Conclusion

Based on the documentation we have examined and on the procedures described above, and considering the nature and extent of our work as described in this Report, we believe that the valuation methods adopted by the Directors of IMA and GIMA TT, also based on the indications from their Advisors, are, under the circumstances, reasonable and not arbitrary, and they have been correctly applied by them in their determination of the Exchange Ratio of shares, indicated in the Merger Plan, of n. 11.4 IMA new ordinary shares with a nominal value of Euro 0.52, with the same dividend rights as the existing IMA ordinary shares as of the date on which the Merger takes effect, for each n. 100 GIMA TT ordinary shares. No adjusting cash settlement is provided for.

Bologna, July 5, 2019

EY S.p.A.

Signed by: Alberto Rosa, partner

*This report has been translated into the English language solely for the convenience of international readers.*