

COESIA S.p.A.

Registered office in Bologna Via Battindarno n. 91

Corporate capital equal to Euro 125,000,000 fully paid-up

Tax code and registration number with the Companies' Register of Bologna: 02221441203

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ADMISSION DOCUMENT

for the listing of

€100,000,000 3.00 per cent. Notes due 1 October 2021

**on the professional segment (ExtraMOT PRO) of ExtraMOT Market
managed by Borsa Italiana S.p.A. (“Borsa Italiana”)**

The issue price of the €100,000,000 3.00 per cent. Notes due 1 October 2021
is 100.00 per cent. of their principal amount

The Notes are represented by global notes and cleared through Euroclear Bank SA/NV
 (“Euroclear“) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”
and, together with Euroclear, the “Clearing Systems”).

The International Securities Identification Number for the €100,000,000 3.00 per cent. Notes
due 1 October 2021 is XS1111992563 and the common code is 111199256.

**CONSOB AND BORSA ITALIANA HAVE NEITHER EXAMINED NOR
APPROVED THE CONTENT OF THIS ADMISSION DOCUMENT.**

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1. CERTAIN DEFINED TERMS

The table below shows a list of definitions and terms used in the Admission Document. These definitions and terms, unless otherwise specified in the “Terms and Conditions of the Notes” have the meanings set out below (both singular and plural).

Coesia (or the Company or the Issuer) Coesia S.p.A., a joint stock company with registered office in Bologna Via Battindarno n. 91 , corporate capital equal to Euro 125,000,000 fully paid-up and tax code and registration number with the Companies’ Register of Bologna: 02221441203.

Euro (or €) the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Union, as amended.

Group the Issuer and its consolidated subsidiaries.

Notes the €100,000,000 3.00 per cent. Notes due 1 October 2021 as defined in the “*Terms and Conditions of the Notes*”.

Noteholders the holders of the Notes as defined in the “*Terms and Conditions of the Notes*”.

2. RESPONSIBLE PERSONS AND CONFLICT OF INTEREST

2.1 Responsibility for the Admission Document

The Company, having its registered office at via Battindarno 91, 40133, Bologna, Italy, bears sole responsibility for the information contained in the Admission Document, as Issuer. The Joint Bookrunners (as defined in Section 11) have not carried out any procedures to verify the information contained in this Admission Document. Accordingly, no representation or warranty or undertaking (express or implied) is made, and no responsibility or liability is accepted, by the Joint Bookrunners as to the authenticity, origin, validity, accuracy or completeness of, or any errors in or omissions from, any information or statement contained in the Admission Document or in or from any accompanying or subsequent material or presentation. This Admission Document should not be considered as a recommendation by any of the Joint Bookrunners that any recipient of this Admission Document or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition, and affairs, and its own appraisal of the creditworthiness, of the Issuer.

2.2 Declaration of responsibility

The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Admission Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

3. RISKS FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies that may or may not occur, and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate based on information currently available to it. In addition, if any of the following risks, or any other risk not currently known, actually occur, the trading price of the Notes could decline and Noteholders may lose all or part of their investment.

In addition, the sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the scope of the potential consequences on the business, financial condition or results of operations of the Issuer.

Prospective investors should also read the detailed information set out elsewhere in this Admission Document, including any documents incorporated by reference thereto and carefully assess whether an investment in the Notes is suitable for them in light of the information in this Admission Document and their personal circumstances, based upon their own judgment and upon advice from such financial, legal and tax advisers as they consider necessary prior to making any investment decision.

Words and expressions defined in the “Terms and Conditions of the Notes” or elsewhere in this Admission Document have the same meaning when used in this section. References to a “Condition” is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read this Admission Document including any documents incorporated by reference thereto in its entirety.

3.1 Factors that may affect the ability of the Issuer to fulfil its obligations under the Notes

Risks Relating to the Business of the Group

3.1.1 Risks relating to economic and trading conditions

The Group operates in the following markets: advanced automated machinery and materials, industrial process solutions and precision gears. The main business consists on designing and manufacturing automatic machines and equipment for the processing, packaging, inspection and handling of consumer goods, tobacco products and pharmaceuticals. This business is dependent on general market conditions. In 2013, roughly a third of Group’s revenues were generated in Europe, a third in Asia-Pacific and the remaining third in the Americas and the rest of the world. Therefore, while geographical sales mix is well balanced, regional or global deterioration of economic conditions may affect the Group’s sales and profitability.

For example, an economic slowdown or recession, a worsening in public finances or loss of consumer demand could result in a decline in sales and/or contraction of margin in the territories in which the Group carries on its business and could have a material adverse effect on its business, results of operations or financial condition.

Furthermore, the Issuer’s ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer and the Group may be adversely impacted, and costs of financing may significantly increase. This could materially and adversely affect the business, results of operations and financial condition of the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer’s ability to meet its obligations under the Notes.

3.1.2 Operational risks associated with the Group's facilities

The Group's 55 operational facilities are located in 31 countries. These facilities are subject to operational risks, including manufacturing, trade and labour risks, such as breakdowns of equipment, failure to comply with applicable regulations, revocation of permits and licences, labour shortages or work interruptions, increases in transport costs, natural disasters, sabotage, attacks or significant interruptions of supplies of raw materials or components. Any interruption of the Group's activities, however caused, could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.3 Risks associated with the key customers

Whilst the Group has no customers which as of the date of this Admission Document account on steady basis for more than 10% of annual revenues it still has a number of customers who would be considered to be key by virtue of the size of their contractual relationship and by virtue of their profile. Notwithstanding the Group is committed to maintaining strong relationships with such customers, there can be no assurance that the loss of one of these customers would not result in a material adverse effect on Group's business, operating results and financial position.

3.1.4 Dependency on suppliers of components and raw materials

The Group's manufacturing process depends on the availability and timely supply of components and raw materials normally obtained from third-party suppliers and relies on services and products provided by companies outside the Group. While the Group's supplier base is wide for certain parts, components and materials, the Group has only a limited number of suppliers and, in these cases, there is a risk of production downtime if one or more suppliers are unable to fulfil delivery obligations. The non-availability or significant delays in delivery of parts and components and other materials required for production may have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, difficulties, including those of a financial or labour-relations nature, experienced by the Group's suppliers could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.5 Logistics Risks

The Group relies on shipping, air and road transportation for the delivery of its products to customers. The Group exclusively relies on third-party providers to handle the transfer of products in the countries in which the Group operates. Disruptions in the delivery of the Group's products could arise due to weather-related problems, employee strikes, lock-outs and inadequacies in the transport infrastructure in the countries in which the Group operates, or other events. A failure by the Group's third-party transportation providers to deliver the products on a timely and consistent basis could adversely affect the Group's ability to meet its customers' orders and could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.6 The Group's international operations expose it to risks inherent to international business, any of which could affect the Group's results of operations

For the year ended 31 December 2013, approximately 98% of the Group's revenues were generated, outside of Italy, in over 140 countries. The management of international operations requires considerable effort and financial resources. The provision of services in foreign markets are subject to additional risks, such as changing market conditions, trade barriers, exchange controls, changes to the tax regime, foreign investment limitations, civil disturbances, labour unrest, terrorism and war. Furthermore, if a market in which the Group has significant operations or a market into which the Group is looking to expand suffers an economic recession and/or currency devaluation, its net sales and accounts receivable collections in that region are likely to decline substantially or it may not be

able to successfully expand in that region. Moreover, certain countries in which the Group operates have different business practices, and in some cases, considerably lower levels of economic, political, and legal stability as compared to Western Europe and North America.

No assurance can be given that any such international risks will not materially adversely affect the Group's business, results of operations and financial condition.

3.1.7 Competition Risk

The markets in which the Group operates are competitive. The Group competes with large international conglomerates, as well as with numerous smaller regional competitors.

The Group's competitors could consolidate their positions through mergers, joint ventures or other forms of commercial agreements. As a result, the Group may face competition from groups who have greater financial resources and scale, as well as a geographic presence which is more diversified. Such groups could develop greater economies of scale and undertake aggressive pricing policies, which could have a material adverse effect on the Group's business, results of operations or financial condition.

Existing or new competitors may refine their current product and technology offering or create new ones that are more attractively priced, offer higher quality or are otherwise more attractive than the Group's products, which could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.8 Market position

If the Group is unable to continue to provide its services to existing customers, ensuring a high level of customer satisfaction, or to develop new product and service portfolios, to attract new customers, to respond to customers' trends, to increase its operating efficiency and to reduce its operating and overhead costs, it may not be able to successfully compete in the relevant markets. The Group's expansion into new markets may lead to more intense competition in those markets. Should the Group fail to maintain its market position in the relevant markets, this could have a material adverse effect on its business, results of operations or financial condition.

3.1.9 Key Employees

The success of the Group depends to a large extent on the performance of its qualified employees and technical or scientific personnel that carry out research and development activities, its executive staff and the board of directors. There can be no assurances that the Group will succeed in retaining its management staff, other key employees and technical or scientific personnel or to recruit and/or train adequate replacements. The Group's inability to retain or recruit a sufficient number of management staff and skilled employees to maintain its market position could have a material adverse effect on its business, results of operations and financial condition.

3.1.10 Risks when new products or technologies are unsuccessful

Product innovation and development are critical factors in improving margins and sales in all of the Group's business segments. To meet customer requirements, the Group must continuously design new products, refine existing ones, develop its range of services and invest in new technologies. Product development is also driven by customer demand for better environmental performance and lower cost of use. Introducing new products requires significant management time and a high level of financial and other commitments to research and development, which may not result in success. Group sales and the Issuer's net income may suffer if investments are made in technologies that do not function as expected or are not accepted in the marketplace.

3.1.11 The Group may experience difficulties in executing its business strategy

The Group may not succeed in implementing its current business strategy. If the Group experiences such difficulties in executing its business strategy, the Group's business, results of operations and financial condition could be materially adversely affected.

3.1.12 The Group may be subject to risks in connection with any potential future acquisitions, and the integration of such entities may prove difficult

In the ordinary course of its business, the Group continuously explores and evaluates opportunities to enhance its business, broaden its existing operating platforms, achieve operations efficiencies or expand its product offerings.

As a result, the Group has made, and may in the future make, material acquisitions or enter into strategic partnerships or other material transactions. Such transactions could result in the incurrence of additional debt and related interest expense or contingent liabilities and amortisation expenses related to intangible assets, which, in each case or in the aggregate, could have a material adverse effect on the Group's business, results of operations and financial conditions.

Although the Group has gained significant experience in executing M&A deals and integrating companies on a global scale (11 acquisitions successfully completed from 2011 to date), acquisitions further expose the Group to risks connected to the integration of the acquired companies into its operations, including difficulties in integrating an acquired company's products and services with its own, the diversion of resources and management's attention from other business concerns, the potential loss of key employees, risks associated with entering markets in which it may have little experience and the day-to-day management of a substantially larger and more geographically diverse combined company. In addition, the Group may not realise the synergies, operating efficiencies, market position or revenue growth it anticipates from acquisitions, and its failure to effectively manage the above risks and other problems associated with acquisitions could have a material adverse effect on the Group's results of operations, business, and financial conditions. Acquisitions also pose the risk that the Group may be exposed to successor liability relating to actions by an acquired company and its management before the acquisition. The due diligence that the Group conducts in connection with an acquisition, and any contractual indemnities it may receive from sellers of acquired companies, may not be sufficient to protect the Group from, or compensate it for, actual liabilities.

Any of the above occurrences could have a material adverse effect on the Group's business, results of operations and financial conditions, and reduce the anticipated benefits of an acquisition.

3.1.13 Risks relating to product recalls or product liability actions

Under product legislation or contractual terms in many countries, the Group may be forced to repair, substitute and/or repurchase defective products. The Group also faces exposure to product liability claims in the event that any of its products is alleged to have resulted in personal injury or damage to property or otherwise to have caused harm. Depending on how widespread the alleged defect actually is, the Group may incur significant liabilities in repairing, substituting or redesigning the product in question or in defending claims brought by customers and/or end users. In addition, any product claim that results in significant adverse publicity may negatively affect the Group's business, results of operations and financial condition, particularly if those claims cause customers to question the safety or reliability of its products.

3.1.14 Risks relating to product guarantees

As a result of contractual and legal provisions, the Group provides product guarantees to customers. Existing and future product guarantees place the Group at the risk of incurring future repair and/or replacement costs. Substantial guarantee claims in the future could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.15 Intellectual Property and Know-How Risks

The Group owns a significant number of patents and other intellectual property that is of significant importance to the business of the Group. The granting of patents does not necessarily imply that they are effective or that potential patent claims can be enforced to the degree required or desired. Additionally, the Group cannot guarantee that all the patents it has applied for or planned in connection with new technological developments will be granted in each of the countries where the Group considers this necessary or desirable. Third parties may infringe the Group's patents and/or intellectual property rights and the Group, for legal or factual reasons, might be unable to halt such infringements.

If the Group is unable to protect its intellectual property, it may not be able to profit from the advances in technology it has achieved, which could lead to a reduction in future results of operations. This could affect its competitive position, and any resulting reduction in revenues or profitability would have a material adverse effect on the Group's business, results of operations and financial condition.

Additionally, the Group cannot exclude the possibility that it may infringe upon the patents or other intellectual property rights of third parties, since its competitors also have submissions for patent protection. This may result in the prohibition of using the affected technologies or in the Group being forced to purchase licences, alter manufacturing processes or pay compensation.

Know-how and industrial secrets that are not patented or cannot be patented are also of significant importance to the Group's business, in particular in areas with technologically demanding products and production processes.

There is a risk that the Group's competitors are granted patents for products or production processes that, at that time, the Group had already produced or implemented without being granted a patent. In the relevant jurisdiction, this could lead to restrictions regarding the sale of the affected products, the application of the relevant production processes or to an obligation to pay licence fees to the patent holder. The Group cannot be certain that it will be able to protect its industrial secrets, or that third parties will not develop the same or similar know-how independently.

Any restrictions on delivery and production due to patent infringement, or production interruptions resulting from patent infringement, whether due to a change in a manufacturing process or due to other reasons, or the subsequent acquisition of corresponding licences, could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.16 The Group may be exposed to legal disputes

The Group may be involved in disputes and legal proceedings due to the nature of its business, including regulatory and arbitration proceedings. Whenever there are circumstances that may give rise to well-founded expectations by third parties that the Issuer or its subsidiaries are liable to fulfil any obligation, the Group has made allocations to risk provisions, recognised as liabilities in the Group's financial statements. However, the Group bases its estimates on the effect of the outcome of litigation on expectations, beliefs and assumptions on future developments that are subject to inherent uncertainties. Accordingly, there can be no assurance that provisions relating to current litigation will be sufficient to cover the Group's ultimate loss or expenditure in its full entirety. In addition, with respect to future possible litigation, no provision has been made and the loss or expenditure cannot be predicted. Furthermore, the results of certain legal proceedings could harm the Group's reputation or brands.

3.1.17 Regulatory Environment

Numerous laws and regulations apply to the business operations of the Group in the various markets in which it operates. The Group is subject to the laws applicable to commercial enterprises, including in particular laws relating to taxation, land utilisation, occupational health and safety, security, quality and liability, transportation, work and employment practices (including pensions), competition and numerous provisions of environmental law, in particular in the field of emissions, and water and soil protection, as well as waste management. Furthermore, tobacco business faces significant regulation

and governmental action aimed at increasing regulatory requirements to limit the use of tobacco products. Finally, the type of services which the Group is permitted to perform may be governed by law. Compliance with these numerous statutory provisions requires significant effort and expense. Any amendment to, and in particular a tightening of, such provisions could complicate operational procedures and adversely affect the saleability and marketability of the products offered by the Group or increase its compliance costs and tax burden, which could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.18 Environmental Risks

The Group is subject to various laws and regulations relating to the protection of the environment, health and public safety in the countries in which it operates. Liabilities, costs, penalties, soil remediation orders by courts or authorities or operational restrictions may be imposed on or incurred by the Group in connection with environmental and health and safety issues, which could have a material adverse effect on the business, results of operations and financial condition of the Group.

Under such laws and regulations, the Group may have to bear the costs for the investigation and remediation of contamination and other environmental conditions relating to its current and former operations and its properties. These laws and regulations may impose strict liability, rendering the Group liable without regard to any fault on its part, and could expose the Group to liability for the conduct of or conditions caused by others or for acts that were in compliance with all laws applicable at the time such acts were performed. In addition, contaminated land may decrease in value and be difficult for the Group to dispose of. Environmental regulations may be subject to change, which in turn could increase the requirements imposed on the Group under such regulations, the Group's exposure to risks of non-compliance and the costs incurred by the Group.

The Group may be liable to third parties in respect of any personal injury or property damage resulting from environmental issues arising from the current and former operations of the Group. The Group may also be liable to third parties in respect of environmental matters under any covenant, warranty, representation, indemnity or similar provision contained in the agreements by which it has acquired or disposed of real estate.

Non-compliance with existing or future environmental and health and safety laws and regulations, including a failure to obtain or maintain requisite permits and authorisations, may result in criminal or administrative fines or other penalties. Such costs and liabilities, if incurred, could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.19 Accidents, Safety Defects, Defective Performance, Quality Defects or Environmental Damage

The Group is dependent on its customers' confidence in the safety and quality of its services and projects. Actual or alleged effect at the Group's facilities could affect the demand for the Group's services and have a material adverse effect on the Group's business, results of operations and financial condition. Accidents occurring during the execution of major projects may cause serious damage to persons and property. This could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.20 Insurance

The Group enters into insurance contracts with major insurance companies regularly to cover risks related to property, plant, equipment, employees as well as third-party liability for its products. The Group's insurance coverage, however, may not fully cover the risks to which the Group is exposed. Certain risks, such as war and war-like events, acts of terrorism, and certain natural hazards, may not be insured on reasonable terms or at all. Consequently, any damage resulting from the materialisation of these risks could result in significant capital expenditures and other expenses as well as liabilities, which could have a material adverse effect on the Group's business, results of operations and financial condition.

3.1.21 Risks relating to information technology system failures, network disruptions and breaches in data security

The Group may be subject to information technology system failures, network disruptions and breaches in data security, which may materially adversely affect its business, results of operations or financial condition. The Group depends on information technology to improve the effectiveness of its operations and to interface with its customers, as well as to maintain the accuracy of its financial reporting. Information technology system failures could disrupt the Group's operations by causing transaction errors, processing inefficiencies, delays or cancellation of customer orders, impediments to the manufacture or shipment of products, other business disruptions, or the loss of or damage to intellectual property through security breaches. The Group's information systems could also be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. Such unauthorised access could disrupt the Group's business and could result in the loss of assets.

3.1.22 Exchange Rate Risks

Notwithstanding the fact that the Group operates globally, it has a limited exposure to the transactional risk associated with exchange rate fluctuations. Only a limited amount of cash inflows exposes the Group to currency risk (in particular against the U.S. dollar) and such risk is usually hedged through adequate financial instruments. Despite such hedges being in place, fluctuations in currency could have a material adverse effect on the Group's financial condition.

The Group is based in Italy and presents its financial statement in Euro, however, its subsidiaries are incorporated and operates in 31 different countries. Consequently, the Group has exposure to the negative impact of the conversion of the non-Euro currency revenues generated by the Issuer's subsidiaries when it prepares the consolidated financial statements. This translation risk is not hedged. A depreciation of other currencies against the Euro will mean that, despite constant sales volumes and nominally constant prices, the Group will, after conversion into euros, generate lower profits.

If there are fluctuations in exchange rates, the Group's business, results of operations and financial condition could be materially adversely affected.

For an overview on the exchange rate gains and losses and the hedges in place, please refer to the Issuer's financial statements and consolidated financial statements attached under Appendix I and Appendix II.

3.1.23 Interest Rates Risk

The Group is exposed to the market risk stemming from fluctuations in interest rates. A portion of the Issuer's financial debt is hedged through financial instruments. Despite such hedges being in place, interest-rate fluctuations could affect both the amount of interest payable on existing unhedged debt and the cost of future financings or refinancing, which could have a material adverse effect on the Group's results of operations and financial condition.

For an overview on the interest rate gains and losses and the hedges in place, please refer to the Issuer's financial statements and consolidated financial statements attached under Appendix I and Appendix II.

3.1.24 Credit risk

The Group is subject to credit risk arising from sales made in the ordinary course of business and the use of financial instruments requiring settlement with a counterparty. The Issuer's credit policy regulates the assessment of customers credit standing, the monitoring of expected collection flows, the issue of suitable reminders, the granting of extended credit terms if necessary, the taking of prime bank or insurance guarantees and the implementation of suitable recovery measures. Despite the Group's efforts to mitigate such risks through the application of the credit risk policy, there can be no

assurance that the Group will be able to prevent or offset breaches of payment obligations that could have a material adverse effect on the Group's results of operations and financial condition.

3.2 Risk Factors Relating to the Notes

3.2.1 The Issuer may not have sufficient funds at the time of occurrence of a change of control event to redeem outstanding Notes

Upon the occurrence of certain events relating to the Issuer as set out under Condition 6.3 of the “*Terms and Conditions of the Notes — Redemption and Purchase — Redemption at the Option of the Noteholders upon a Change of Control*”, as appropriate, under certain circumstances, the Noteholders will have the right to require the Issuer to redeem their outstanding Notes at their principal amount plus accrued and unpaid interest, if any, to the date of redemption. However, it is possible that the Issuer will not have sufficient funds at the date of redemption to purchase the Notes.

3.2.2 Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax

All payments in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, as specifically set out under Condition 7 of the “*Terms and Conditions of the Notes — Taxation*”, as appropriate.

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely upon such tax summary contained in this Admission Document but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only this adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Admission Document.

Italian Substitute Tax

Italian substitute tax is applied to payments of interest and other income (including the difference between the redemption amount and the issue price) at a rate of 26 per cent. to (i) certain Italian resident Noteholders and (ii) certain non-Italian resident Noteholders who have not filed in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that he or she is resident for tax purposes in a country which allows for an adequate exchange of information with the Italian tax authorities.

EU Savings Directive

Under EC Council Directive 2003/48/EC (“**EU Savings Directive**”) on the taxation of savings income, a Member State is required to provide the tax authorities of another Member State with details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The withholding tax system applies for a transitional period with the rate of withholding at 35 per cent, at the date of this Admission Document. The transitional period is to terminate at the end of the first full tax year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding).

On 10 April 2013, Luxembourg officially announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payment of interest (or similar income) as from this date.

On 24 March 2014, the European Council formally adopted a Council Directive amending the EU Savings Directive (the “**Amending Directive**”) and broadening the scope of the requirements described above. Member States are required to implement national legislation giving effect to these changes by 1 January 2016. That domestic legislation must be applied from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of “interest payment” to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

3.2.3 The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Admission Document or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

3.2.4 The Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, the Issuer will be entitled, at its option, to redeem all the outstanding Notes in accordance with the Conditions.

If the Issuer calls and redeems the Notes in the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

3.2.5 Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer and payment

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes and, while the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes while the Notes are represented by Global Notes by making payments to or to the order of the bearer of such Global Note through Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

3.2.6 The Notes do not restrict the amount of debt which the Issuer may incur

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer and its Subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3.1 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets.

3.2.7 Minimum Denomination

The Notes are issued in denominations of €1,000,000 which are integral multiples of € 1,000, up to a maximum of €1,999,000. Although Notes may not be traded in amounts of less than €1,000,000, it is possible that they will be traded in amounts that are not integral multiples of €1,000,000. In such case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €1,000,000 may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding would amount to the minimum denomination. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of € 1,000,000 may be illiquid and difficult to trade.

3.2.8 Modification and waiver

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including, inter alia, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

3.2.9 Change of law

The terms and conditions of the Notes are based on English law in effect as at the date of this Admission Document. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Admission Document.

3.2.10 Insolvency laws applicable to the Issuer may not be as favourable to the Noteholders as bankruptcy laws in other jurisdictions

The Issuer is incorporated in the Republic of Italy. The Issuer and its Italian subsidiaries (as well as any of its subsidiaries whose centre of interests is deemed to be the Republic of Italy) will be subject to Italian insolvency laws. The Italian insolvency laws may not be as favourable to Noteholders' interests (as creditors) as the laws of other jurisdictions with which the Noteholders may be familiar.

For instance, if the Issuer becomes subject to certain bankruptcy proceedings, payments made by the Issuer in favour of the Noteholders or the Trustee on their behalf prior to the commencement of the relevant proceeding may be liable to claw-back by the relevant trustee. In particular, in a bankruptcy proceeding (*fallimento*), Italian law provides for a standard claw-back period of up to one (1) year (six (6) months in some circumstances), although in certain circumstances such term can be up to two (2) years.

Furthermore, under Italian law, holders of the Notes do not have any right to vote at any shareholders' meetings of the Issuer. Consequently, Noteholders cannot influence any decisions by the Board of Directors of the Issuer or any decisions by shareholders concerning the Issuer's capital structure, including the declaration of dividends in respect of the Issuer's ordinary shares.

3.3 Risk Factors Relating to Markets Generally

Set out below is a brief description of the principal market risks that may be relevant in connection with an investment in the Notes.

3.3.1 There is no active trading market for the Notes and one cannot be assured

Application has been made to admit the Notes to the official list on the professional segment (ExtraMOT PRO) of ExtraMOT Market managed by Borsa Italiana S.p.A.. The Notes are new securities for which there is no market at the date of this Admission Document and which will not benefit from the appointment of a specialist operator (*operatore specialista*, as defined under ExtraMOT Market Regulation). Therefore, there can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell such Notes or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, and the Issuer's financial condition, performance and prospects. In an illiquid market, the Noteholders might not be able to sell their Notes at any time at fair market prices.

There can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and trading prices for the Notes.

The market value of the Notes may also be significantly affected by factors such as variations in the Group's annual and interim results of operations, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group.

3.3.2 Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain jurisdictions or regulatory bodies. See "Subscription and sale. Restrictions."

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) or any state securities laws or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States or for the account or benefit of a U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see “Subscription and sale”.

3.3.3 The Notes are not rated and credit ratings may not reflect all risks

Neither the Notes nor the long-term debt of the Issuer is rated. To the extent that any credit rating agencies assign credit ratings to the Notes or any other senior unsecured indebtedness of the Issuer, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

3.3.4 Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

3.3.5 Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (“**Investor’s Currency**”) other than euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Euro would decrease (i) the Investor’s Currency-equivalent yield on the Notes, (ii) the Investor’s Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor’s Currency-equivalent market value of the Notes.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

4. DESCRIPTION OF THE ISSUER

4.1 Legal and commercial name

The legal name of the Issuer is Coesia S.p.A. (the “**Issuer**” or “**Coesia**”), while the commercial name is “Coesia”.

4.2 Place of registration and registration number

The Issuer is registered with the Companies’ register of Bologna with No. 02221441203.

4.3 Date of incorporation and duration

The Issuer was incorporated on November 16, 2001.

Pursuant to Article 4 of the By-laws, the Issuer is to endure until December 31, 2100.

4.4 Domicile, legal form and legislation under which the Issuer operates, country of incorporation and registered office

The Issuer has been incorporated in the Republic of Italy as a joint stock company.

The registered office of the Issuer is via Battindarno 91, 40133, Bologna, Italy.

4.5 Description of the Issuer

Business Overview

The Issuer is the holding of a group of innovation-based industrial solutions companies operating globally, headquartered in Bologna, Italy.

The Issuer’s subsidiaries are leaders in the sectors of:

- advanced automated machinery and materials;
- industrial process solutions; and
- precision gears.

The Group is a leading supplier of industrial solutions in a broad range of industries, including consumer goods, tobacco, healthcare, aerospace, racing & automotive and electronics.

History and Development

The Coesia Group was formed around G.D, a company established in 1923, which manufactured motorcycles. In the 1940s, G.D shifted its focus to automatic wrapping machines and developed a wide range of innovative wrapping machines for confectionary and soap. In the 1950s, G.D became a world leader in highly automated industrial machinery. In the 1960s, G.D entered the tobacco sector, introducing the revolutionary wrapping machine model 4350/Pack-B and became the outright leader in the sector, paving the way for the machines that were introduced in the following years from outstanding design ideas.

In 1979, the Group started diversifying its operations by acquiring other industrial companies, including CIMA in 1980, ACMA in 1986, GDM in 1995, VOLPAK in 1996, HAPA and LAETUS in 2006 and SIRIUS MACHINERY in 2008.

At the beginning of 2005 the Group was renamed Coesia. Since 2002, the Coesia Group has been fully owned by Isabella Seràgnoli.

During 2011, the Group diversified further by acquiring FlexLink, a leader in high end production logistics , while consolidating its position in the tobacco sector through the acquisition of Sasib.

In 2012, Coesia acquired Oystar North America, which has since been renamed R.A Jones, a leading American packaging machinery company. In 2013 Coesia acquired IPI, a company specialised in aseptic carton packaging for liquid products.

The Group

The Issuer is the holding of the Group, which has a worldwide presence consisting of 92 operating units (of which 55 have operational facilities) in 31 countries. For a list of the Issuer's principal subsidiaries in terms of revenue generation as of the date of this Admission Document please see Chapter 5, Par. 5.1. of this Admission Document.

Marketing and Distribution

The Group's automated packaging machines, components and precision gears are sold through the Group's headquarters located in Italy, branches and representative offices located in Europe, North America, South America, Asia as well as its network of local agents located across the globe.

Customers and Suppliers

The Issuer sells its products to a large and diverse customer base globally. This customer base comprises some of the leading companies in a broad range of industries including: consumer goods, tobacco, healthcare, aerospace, racing & automotive and electronics.

The Issuer has a large supplier base and does not rely on any single supplier.

Research and Development

The Group has a strong focus on research and development, which is evidenced by a wide range of state-of-the art processing and packaging systems in the industry.

Intellectual Property

The Group's market sector is characterised by the planning and production of products with a high technological content, which runs the risk that competitors might try to replicate the technologies used. In order to counter such risk, the Group invests heavily in intellectual property and holds a large number of registered patents.

Property, Plants and Equipment

The Coesia Group manufactures equipment in 55 production plants located in Europe, North Africa, South Africa and Asia.

Corporate governance

Board of Directors

The current members of the Board of Directors were appointed for a term of 3 years by a resolution passed at the Issuer's annual shareholders' meeting held on June 25, 2014, and the following table shows their names, positions and principal activities outside the Issuer.

| Name | Position with the Issuer |
|----------------------------------|---------------------------------|
| Isabella Seràgnoli | Chairman |
| Angelos Papadimitriou | Chief Executive Officer |
| Roger Abravanel | Director |
| Fabio Gallia | Director |
| David Gosset | Director |
| Leonardo Guerra Seràgnoli | Director |
| Lorenza Guerra Seràgnoli | Director |
| Maurizio Petta | Director |
| Roberto Poli | Director |
| Francesco Luigi Tatò | Director |
| Luca Garavoglia | Director |

The appointments of the current members of the Board of Directors will expire at the shareholders' meeting approving the Issuer's annual financial statements for the year ending 31 December 2016.

The business address of each of the members of the Board of Directors is the Issuer's registered office.

Board of Statutory Auditors

The current members of the Board of Directors will expire at the shareholders' meeting at which the Issuer's 2014 annual financial statements will be approved.

| Name | Position with the Issuer |
|----------------------------|---|
| Giorgio Loli | Chairman of the Board of Statutory Auditors |
| Nicoletta Sandri | Statutory Auditor |
| Gian Paolo Galletti | Statutory Auditor |
| Antonio Fanti | Alternate Auditor |
| Viviana Selleri | Alternate Auditor |

The business address of each of the members of the Board of Directors is the Issuer's registered office.

4.6 Amount of the Notes

The Notes are in bearer form, serially numbered, in the denomination of €1,000,000 and integral multiples of €1,000 in excess thereof up to and including €1,999,000, with Coupons attached on issue, for an aggregate amount equal to €100,000,000.

4.7 Use of proceeds

The net proceeds of the issue of the Notes, expected to amount to approximately €99.250.000 will be used by the Issuer for general corporate purposes of the Group, including potentially the repayment of drawdowns under certain loan facilities to which some of the Joint-Bookrunners, directly or through parent companies and /or affiliates, are lenders.

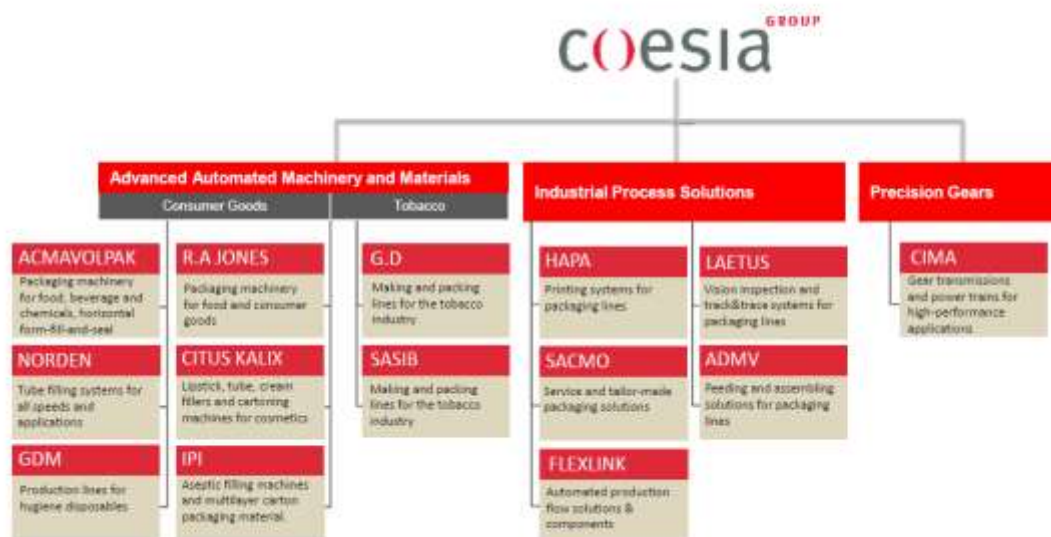
4.8 Recent events particular to the Issuer and which are to a material extent relevant to the evaluation of the Issuer's solvency

The Issuer deems that there are no recent events which are to a material extent relevant to the evaluation of its solvency.

5. GROUP STRUCTURE

5.1 The Group

The Issuer is the holding of the Group, which has a worldwide presence consisting of 92 operating units (55 of which with operational facilities) in 31 countries.



ACMAVOLPAK manufactures packaging machinery for confectionery, soaps and detergents, bottling lines for high-value or viscous/foaming liquids, horizontal form-fill-seal packaging lines (HFFS) for food and beverages.

Tecnomeccanica division produces tea-packaging machines and Enflex division designs and manufactures horizontal pouch machines and cartoners.

ACMAVOLPAK's headquarters are located in Bologna (Italy) and Barcelona (Spain).



ADMV produces bowl feeders, blade elevators, disk feeders, depalletizers (beginning of the line), palletizers (end of line) and robot and vision systems. ADMV is headquartered in Crémieu (France).



CIMA produces gear transmissions and power trains for high performance applications. It is supplier of various Formula 1 motor racing teams as well as of customers in the aerospace sector. CIMA's headquarters are located in Bologna (Italy).



CITUS KALIX manufactures lipstick fillers using a patented silicone mould process, hot filling machinery for creams and foundations, deodorant filling machinery, tube fillers, cartoning machinery for tubes, jars, perfumes, feeding equipment. Citus is a market leader in the lipstick fillers segment. CITUS KALIX is headquartered in Courcouronnes, (France).



FlexLink is the leading provider of production logistics solutions to manufacturing industries, within the automotive, electronics, health care and fast moving consumer goods (FMCG) segments. FLEXLINK's headquarters are located in Göteborg (Sweden).



G.D is the leading supplier of machinery for cigarette making and packing, filter production and other tobacco products. G.D's headquarters are located in Bologna (Italy).



GDM manufactures production lines for disposable hygiene products (baby diapers, sanitary napkins and adult incontinence diapers). GDM's headquarters are located in Offanengo (Italy).



HAPA manufactures "on demand" printing systems for the pharmaceutical and cosmetic packaging industries. HAPA is located near Zurich (Switzerland).



IPI produces aseptic filling machines, opening and reclosing fitments for packages, high performance multi-layer carton packaging material combining polyethylene, paper and aluminum foils. IPI's products are used mainly for the aseptic filling in the sectors of milk, juices and sauces. IPI is headquartered and operates two plants in Perugia (Italy), of which one dedicated to production of packaging material.



LAETUS is the leading global supplier of innovative and value-adding quality and security inspection systems and complete track and trace solutions for the pharmaceutical, cosmetics and FMCG industries. LAETUS is headquartered near Frankfurt (Germany).



NORDEN designs, builds and supplies fully automated tube filling systems covering all speeds and applications within various segments, including the pharmaceuticals, cosmetics, toothpaste, food and industrial segments. NORDEN is headquartered in Kalmar (Sweden).



R.A JONES manufactures packaging machinery for food and consumer goods, including pouch filling and cartoning (Jones), chub packaging (KartridgPak), cup filling and sealing (Autoprod and Holmatic), aerosol (Aerofill), bottle filling machinery (Dawson) and patented solutions for improving product shelf life (MAP Systems). R.A JONES is headquartered in Davenport, Iowa (USA).



SACMO designs complete packaging machinery lines and supplies refurbishments of existing machines, on-site maintenance on customer's site, retrofit of machines in production, second-hand machines, customer training, manufacturing of machine parts, emergency service for part manufacturing and assembly of complete lines. SACMO is headquartered in Holnon (France).



SASIB was founded in 1915 and manufactures making and packing lines for the tobacco industry. SASIB's headquarters are located in Castelmaggiore (Bologna).

6. MAIN SHAREHOLDERS

6.1 Participations, direction and coordination

The Issuer has a corporate capital equal to Euro 125,000,000.00 divided as follows:

- **IS.CO S.r.l.:** Euro 119,175,722.00
- **UBS Fiduciaria S.p.A.:** Euro 5,824,277.00
- **Isabella Seràgnoli:** Euro 1.00

The Group has belonged to the Seràgnoli family since the end of 1930. At the date of this Admission Document, the share capital of the Issuer belongs, directly and indirectly to Ms. Isabella Seràgnoli, second generation entrepreneur, who is the ultimate beneficial owner and Chairman of the Board of Directors.

6.2 Shareholders' Agreements

The Issuer is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer.

7. FINANCIAL INFORMATION ON THE ISSUER REGARDING ASSETS, FINANCIAL SITUATION, PROFIT AND LOSSES.

7.1 Financial information

With regard to the financial information relating to the Issuer and the Group, please refer to the last approved audited financial statements, together with the related auditors' reports, listed in Appendix I (Issuer's financial statements for the year ended December 31, 2013 and related auditors' report) and Appendix II (Group Consolidated Financial Statements for the year ended December 31, 2013 and related auditors' report) of this Admission Document.

8. INFORMATION REGARDING THE NOTES

Below are the terms and conditions of the Notes to be admitted to trading according to the Admission Document.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form:

The €100,000,000 3.00 per cent. Notes due 1 October 2021 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series with the Notes of Coesia S.p.A. (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 1 October 2014 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and principal paying agent (the **Fiscal Agent**) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the **Paying Agents**). The holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively) are entitled to the benefit of a Deed of Covenant (the **Deed of Covenant**) dated 1 October 2014 and made by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders and Couponholders at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours by the Noteholders and Couponholders at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of €1,000,000 and integral multiples of €1,000 in excess thereof up to and including €1,999,000, with Coupons attached on issue.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. COVENANTS

3.1 Negative Pledge

So long as any of the Notes or Coupons remains outstanding, the Issuer will not, and will ensure that none of its Material Subsidiaries will, create or have outstanding any Security Interest (other than a Permitted Security Interest) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness, unless, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, the Issuer takes, or procures that the relevant Material Subsidiary takes, any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes and the Coupons are secured by the Security Interest equally and rateably with the Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement).

3.2 Financial Covenants

- (a) So long as any of the Notes or Coupons remains outstanding and the Issuer is not assigned an Investment Grade Rating from any Rating Agency, the Issuer shall ensure that:
 - (i) the Consolidated EBITDA / Consolidated Net Interest Charges on any relevant Determination Date shall not be equal to or less than 4.0x; and
 - (ii) the Net Financial Debt / Consolidated EBITDA on any relevant Determination Date shall not be equal to or more than 4.0x.

Where:

Consolidated EBITDA means, with respect to the Issuer for any Relevant Period and for so long as the Issuer adopts the Relevant Accounting Standards, the difference between the value and the costs of production (A-B) (each as defined in the form of the income statement set out in the Issuer's audited annual consolidated financial statements prepared in accordance with Article 2425 of the Italian Civil Code):

- (a) adding B 10 letter a) amortisation of fixed intangible assets;
- (b) adding B 10 letter b) depreciation of tangible fixed assets; and
- (c) adding B 10 letter c) other depreciations of the fixed assets

as such items appear in the audited annual consolidated financial statements of the Issuer as of December 31 (any line item referred to in this definition makes reference to its definition under Article 2425 of the Italian Civil Code);

Consolidated Net Interest Charges means with respect to the Issuer for any Relevant Period and for so long as the Issuer adopts the Relevant Accounting Standards, the algebraic sum of the following items of the form of the income statement set out in the Issuer's audited annual consolidated financial statements prepared in accordance with Article 2425 of the Italian Civil Code:

(+) C.16 other financial income; and

(-) C.17 interests and other financial charges excluding those provided under C.17 bis (profits and losses on exchange),

excluding any acquisition cost and capitalised interest and including any interest due pursuant to shareholder loans granted to and/or notes issued by the Issuer and/or any companies in which (i) the Qualifying Shareholder or (ii) any other direct or indirect shareholder of the Issuer has any legal or beneficial interest.

as such items appear in the audited annual consolidated financial statements of the Issuer as of December 31 (any line item referred to in this definition makes reference to its definition under Article 2425 of the Italian Civil Code); and

Net Financial Debt means, in respect of the Issuer and its Subsidiaries, for any Relevant Period and for so long as the Issuer adopts the Relevant Accounting Standards, the algebraic sum of the following items of the form of the Issuer's consolidated balance sheet prepared in accordance with Article 2424 of the Italian Civil Code (including any capitalised interest and without double counting):

(+) D.1. notes, excluding any subordinated notes or any subordinated debt security;

(+) D.2. convertible notes, excluding subordinated notes or any subordinated debt securities;

(+) D.4. debts towards banks;

(+) D.5. debts towards other financing parties, excluding any shareholder loan or debts which are wholly subordinated (for principal and interest) to the full reimbursement of the Notes;

(+) the value of guarantees issued in favour of third parties for financial debts (as resulting from the value recorded in the financial statement of the Issuer under "*conti d'ordine*"), the underlying outstanding debt of which is not recorded in the liabilities of the Issuer's consolidated financial statements;

(+/-) the mark-to-market value of speculative derivatives;

(-) Cash (C.III 6 Financial assets which are not fixed assets or other securities); and

(-) C.IV liquidity

as such items appear in the audited annual consolidated financial statements of the Issuer as of December 31 (any line item referred to in this definition makes reference to its definition under Article 2424 of the Italian Civil Code).

For the avoidance of doubt, this Condition 3.2(a) will not apply for any period during which the Issuer is assigned an Investment Grade Rating from any Rating Agency.

- (b) For so long as the Notes remain outstanding and the Issuer is not assigned an Investment Grade Rating from any Rating Agency, the Issuer will deliver a Compliance Certificate to the Fiscal Agent on each Reporting Date attaching the Issuer's consolidated financial statements. For the avoidance of doubt, this Condition 3.2(b) will not apply for any period during which the Issuer is assigned an Investment Grade Rating from any Rating Agency.
- (c) For the avoidance of doubt, a breach of the financial covenants set out in (a) and (b) above shall not constitute an Event of Default under Condition 9 below but shall only be relevant to the determination of the occurrence of an Adjustment Event pursuant to Condition 4 below.

3.3 Relevant Accounting Standards

In the event that the Issuer adopts IAS/IFRS as its accounting standards (the **New Accounting Standards**) in place of the Relevant Accounting Standards (a **Change of Accounting Standards Event**), it shall promptly notify holders in accordance with Condition 11 (*Notices*) and, following publication by the Issuer of its first audited consolidated annual financial statements after the Change of Accounting Standards Event (i) the definitions of "Consolidated EBITDA", "Consolidated Net Interest Charges" and "Net Financial Debt" contained in Condition 3.2(a) above shall be deemed to be replaced with the definitions set out below, and (ii) compliance with the financial covenants set out in Condition 3.2(a) will be calculated on that basis.

Consolidated EBITDA means, with respect to the Issuer for any Relevant Period and for so long as the Issuer adopts the New Accounting Standards the results of operations as shown in, or calculated by reference to, the Issuer's audited annual consolidated financial statements prepared in accordance with the New Accounting Standards as EBIT (operating profit):

- (+) amortisation of intangible fixed assets
- (+) depreciation of tangible fixed assets
- (+) impairment/write off losses of tangible/intangible fixed assets
- (+/-) actuarial losses/income under IAS/IFRS included in EBIT
- (+) cost relating to factoring or securitisation programmes included in EBIT
- (+) acquisition cost included in EBIT
- (+) cost relating to donations, to restructuring and non-recurring costs included in EBIT
- (+/-) impairment/losses, revaluations of financial assets and investments included in EBIT;

Consolidated Net Interest Charges means, with respect to the Issuer for any Relevant Period and for so long as the Issuer adopts the New Accounting Standards, financial expenses net of financial income as shown in, or calculated by reference to, the Issuer's audited annual consolidated financial statements prepared in accordance with the New Accounting Standards excluding (i) foreign exchange gains and losses, (ii) impairment/losses, revaluations of financial assets and investments, and (iii) any acquisition cost and capitalised interest and including any interest due pursuant to shareholder loans granted to and/or notes issued by the Issuer and/or any companies in which (a) the Qualifying Shareholder or (b) any other direct or indirect shareholder of the Issuer has any legal or beneficial interest; and

Net Financial Debt means, in respect of the Issuer and its Subsidiaries, for any Relevant Period and for so long as the Issuer adopts the New Accounting Standards, the algebraic sum of the following items, as shown in, or determined by reference to, the Issuer's audited annual consolidated financial statements prepared in accordance with the New Accounting Standards:

(+) Total non current financial liabilities;

(+) Total current financial liabilities;

(-) Cash and cash equivalent;

(-) Current financial assets;

where

(a) **non current financial liabilities** means the algebraic sums of the following items:

(+) Long term notes excluding any subordinated notes or any subordinated debt security;

(+) Banks - long term borrowings;

(+) Financial lease - Long term borrowings;

(+) Other financial liabilities - Long term borrowings excluding financial deferred income and accrued liabilities and excluding any shareholder loan or debts which are wholly subordinated (for principal and interest) to the full reimbursement of the Notes;

(+) Other financial liabilities (non current liabilities) excluding financial deferred income and accrued liabilities and excluding any shareholder loan or debts which are wholly subordinated (for principal and interest) to the full reimbursement of the Notes.

(b) **current financial liabilities** means the algebraic sums of the following items:

(+) Short term notes, excluding any subordinated notes or any subordinated debt securities;

(+) Banks overdraft;

(+) Banks - short term borrowings;

- (+) Financial lease - short term borrowings;
- (+) Other financial liabilities - short term borrowings excluding financial deferred income and accrued liabilities and excluding any shareholder loan or debts which are wholly subordinated (for principal and interest) to the full reimbursement of the Notes;
- (+) Other financial liabilities (current liabilities) excluding financial deferred income and accrued liabilities and excluding any shareholder loan or debts which are wholly subordinated (for principal and interest) to the full reimbursement of the Notes.
- (c) **Cash and cash equivalent** means the algebraic sums of the following items:
 - (+) Bank deposit and current account;
 - (+) Cash and cheques on hand.
- (d) **Current financial assets** means the algebraic sums of the following items:
 - (+) Securities;
 - (+) Other financial assets excluding financial deferred expenses and accrued income.

3.4 Interpretation

For the purposes of these Conditions:

Compliance Certificate means the compliance certificate to be delivered on each Reporting Date and signed by two duly authorised signatories¹ of the Issuer whose responsibilities extend to the subject matter of such certificate, certifying, amongst other things, that the Issuer is and has been in compliance with the financial covenants set out in Condition 3.2(a) above at the relevant Determination Date (with, for the avoidance of doubt, Consolidated EBITDA and Consolidated Net Interest Charges being calculated in respect of the financial year ended on such date). The Compliance Certificate will be substantially in the form set out in Schedule 5 to the Agency Agreement, with such changes as may be required by law to give effect to the purposes of such documents;

Determination Date means 31 December in each year;

Fitch means Fitch Ratings Ltd. and its successors;

Group means the Issuer and its Subsidiaries from time to time;

Indebtedness means, with respect to any Person, any indebtedness (excluding accrued expenses and trade payables and without double counting) for or in respect of:

- (i) moneys borrowed;

¹ These will be the CEO and CFO.

- (ii) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, debenture stock, loan stock or any similar instrument;
- (iv) any amount raised under any other transaction where payment is due more than 180 days after the date of supply (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing; and
- (v) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account),

if and to the extent any of the preceding items (other than in (v) above) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with the Relevant Accounting Standards;

IAS means the international accounting standards issued by the International Accounting Standards Council and endorsed and amended by the International Accounting Standards Board;

IFRS means the international financial reporting standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect from time to time;

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) of any Person for or in respect of any money borrowed or raised, including without limitation indebtedness for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

Investment Grade Rating means a long-term senior unsecured debt rating of either:

- (i) Baa3 or better by Moody's (or its equivalent under any successor rating category of Moody's); or
- (ii) BBB- or better by S&P (or its equivalent under any successor rating category of S&P); or
- (iii) BBB- or better by Fitch (or its equivalent under any successor rating category of Fitch);

Italian GAAP means generally accepted accounting principles in the Republic of Italy;

Material Subsidiary means at any time a Subsidiary of the Issuer whose gross revenues or total assets equals or exceeds 10 per cent. of the gross revenues or total assets of the Group, as calculated by reference to the then latest audited annual

financial statements or, where none are available, unaudited annual management accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited annual consolidated financial statements of the Group, each prepared in accordance with the Relevant Accounting Standards and reclassified on the basis of certain criteria used by the Issuer in the preparation of its consolidated financial statements.

For this purpose:

- (i) the gross revenues or total assets of a Subsidiary of the Issuer will be determined from its then latest audited annual financial statements or, where none are available, unaudited annual management accounts (consolidated if it has Subsidiaries) upon which the then latest audited annual consolidated financial statements of the Group have been based;
- (ii) if a Subsidiary has become a member of the Group after the date on which the then latest audited annual consolidated financial statements of the Group have been prepared, the gross revenues or total assets of that Subsidiary will be determined from its latest audited annual financial statements or, where none are available, unaudited annual management accounts (consolidated if it has Subsidiaries); and
- (iii) the gross revenues or total assets of the Group will be determined from its then latest audited annual consolidated financial statements adjusted (where appropriate) to reflect the gross revenues or total assets of any company or business subsequently acquired or disposed of, and so that any Person in respect of which any Material Subsidiary is a Subsidiary shall also be a Material Subsidiary and in any event a confirmation from two authorised signatories of the Issuer as to any of the calculations made above shall be conclusive.

Notwithstanding the above, any member of the Group to which the Issuer or a Material Subsidiary disposes of all or any substantial part of its assets will be treated as a Material Subsidiary, but only until it is demonstrated (by reference to the accounts of that Subsidiary referred to in paragraphs (i) and (ii) above and the audited annual consolidated financial statements of the Group referred to in paragraph (iii) above for a period ended after that transfer) not to be a Material Subsidiary according to the tests set out above;

Moody's means Moody's Investors Service, Inc. and its successors;

New Accounting Standards means IAS/IFRS, as adopted by the Issuer;

Permitted Security Interest means:

- (i) any Security Interest which existed prior to 1 October 2014 (an **Existing Security Interest**) and any Security Interest created subsequently to renew or substitute an Existing Security Interest;
- (ii) any Security Interest arising by operation of law; or
- (iii) any Security Interest created by any entity upon the whole or any part of its undertaking or assets and subsisting at the time such entity (a) merges or consolidates with or is demerged, contributed or merged into or transferred to

the Issuer or a Material Subsidiary, (b) becomes a Material Subsidiary of the Issuer or (c) sells, contributes or transfers all or substantially all of its assets to the Issuer or a Material Subsidiary, provided that, except in the case of a Security Interest created pursuant to (iv) below, such Security Interest was not created in connection with, or in contemplation of, such merger, consolidation, demerger, contribution, transfer or sale or such entity becoming a Material Subsidiary; or

- (iv) any Security Interest on any asset acquired by the Person creating the Security Interest and securing only Indebtedness incurred for the sole purpose of financing or re-financing that acquisition, provided that the principal amount of such Indebtedness so secured does not exceed the overall cost of that acquisition; or
- (v) any Security Interest to secure Indebtedness upon or with respect to any present or future assets, receivables, inventory, remittances or payment rights of the Issuer or any of its Material Subsidiaries (the **Charged Assets**) whereby the payment obligations in respect of such Indebtedness are to be discharged solely from the Charged Assets; or
- (vi) any Security Interest to secure Indebtedness that takes the form of subsidised financing (*finanziamenti agevolati*); or
- (vii) any Security Interest to secure Indebtedness the amount of which (when aggregated with any other Indebtedness which has the benefit of a Security Interest not permitted under subparagraphs (i) to (v) above or under arrangements entered into which, but for this subparagraph (vii), would be a breach of Condition 3.1) does not exceed €100,000,000 (or its equivalent in any other currency or currencies); or
- (viii) any Security Interest to secure Indebtedness that is also granted in favour of the Noteholders.

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Rating Agency means any of Fitch, Moody's and S&P;

Relevant Accounting Standards means Italian GAAP, as adopted by the Issuer;

Relevant Period means a 12-month period ending on a Determination Date;

Reporting Date means a date falling no later than 45 days after the final approval by the board of directors of the Issuer's consolidated financial statements with respect to the Relevant Period ending on 31 December, provided that the approval set out above shall be obtained within 180 days of the end of the Relevant Period;

S&P means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. and its successors;

Security Interest means any mortgage, charge, pledge, lien or other form of security interest including, without limitation, anything substantially analogous to any of the foregoing under the laws of any jurisdiction; and

Subsidiary means any company directly or indirectly controlled pursuant to Article 2359, paragraphs 1 and 2 of the Italian Civil Code.

4. INTEREST

4.1 Interest Rate before a Step Up Event (if any) and Interest Payment Dates

The Notes bear interest from and including 1 October 2014 (the **Issue Date**) at the rate of 3.00 per cent. per annum (the **Initial Interest Rate**), payable annually in arrear on 1 October of each year (each an **Interest Payment Date**) to but excluding the first Interest Payment Date following the date on which a Step Up Event (if any) occurs and thereafter at the applicable rate(s) of interest determined in accordance with Condition 4.2 below. The first payment (representing a full year's interest) shall be made on 1 October 2015.

4.2 Reset Rate of Interest after a Step Up Event or a Step Down Event

- (a) The rate of interest payable on the Notes will be subject to adjustment from time to time in the event of a Step Up Event or Step Down Event (each an **Adjustment Event**), as the case may be, each as defined below.
- (b) From and including the first Interest Payment Date following the date of a Step Up Event, if any, the rate of interest payable on the Notes shall, subject to any adjustment pursuant to a Step Down Event, be increased by 1.00 per cent. per annum.
- (c) Furthermore, save as provided below, in the event of a Step Down Event, with effect from and including the first Interest Payment Date following the date of such Step Down Event, the rate of interest payable on the Notes shall, subject to any adjustment pursuant to a Step Up Event, be decreased by 1.00 per cent. per annum.
- (d) There shall be no limit on the number of times that interest rate adjustments may be made pursuant to an Adjustment Event during the term of the Notes, provided always that at no time during the term of the Notes will the rate of interest applicable to the Notes be less than the Initial Interest Rate.
- (e) Promptly upon the Issuer becoming aware that an Adjustment Event has occurred, the Issuer shall cause the Adjustment Event to be notified to the Fiscal Agent and shall procure that the Fiscal Agent notify each of the other Paying Agents and any relevant listing authority of the Reset Rate of Interest as soon as practicable after the determination of such Reset Rate of Interest and that notice thereof is given to the Noteholders in accordance with Condition 11 (*Notices*) no later than the relevant Reset Date.

4.3 Interpretation

For the purposes of these Conditions:

Reset Date means the Interest Payment Date immediately following the date on which a Adjustment Event occurs.

Reset Period means the period from and including a Reset Date to but excluding the next succeeding Reset Date (if any).

Reset Rate of Interest means the new rate of interest applicable to the Notes from and including each Reset Date.

A **Step Down Event** shall be deemed to have occurred if, at any time following a Step Up Event, the Issuer is in compliance with both the financial covenants set out in Condition 3.2(a) in respect of the Relevant Period referred to in the latest Compliance Certificate.

A **Step Up Event** shall be deemed to have occurred if, in respect of the Relevant Period referred to in the latest Compliance Certificate, the Issuer is not in compliance with at least one of the financial covenants set out in Condition 3.2(a) above.

4.4 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11 (*Notices*).

4.5 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

5. PAYMENTS

5.1 Payments in respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

5.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement)

of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

5.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and **Target2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system is open.

5.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Fiscal Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Fiscal Agent) having a specified office in a European city;
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any termination or appointment and of any changes in specified offices given to the Noteholders promptly by the Issuer in accordance with Condition 11 (*Notices*).

6. REDEMPTION AND PURCHASE

6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on October 1, 2021.

6.2 Redemption for Taxation Reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)), or any change in the official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 1 October 2014, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 11 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

6.3 Redemption at the Option of the Noteholders upon a Change of Control

- (a) If a Change of Control Put Event occurs, then the Noteholders shall have the option (a **Change of Control Put Option**), within 30 days of a Put Event Notice being given to the Noteholders in accordance with Condition 11 (*Notices*) (the **Exercise Period**), to give to the Issuer through a Paying Agent a Put Notice (as defined below) requiring the Issuer to redeem Notes held by such Noteholder on the Change of Control Redemption Date. The Issuer will, on the Change of Control Redemption Date, redeem in whole (but not in part) the Notes which are the subject of the Put Notice. The Notes will be redeemed at a redemption price equal to their principal amount, together with interest accrued and unpaid to but excluding the Change of Control Redemption Date.
- (b) Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 11 (*Notices*) specifying (i) that Noteholders are entitled to

exercise the Change of Control Put Option; (ii) the procedure for exercising the Change of Control Put Option including the Change of Control Redemption Date; and (iii) such other information relating to the Change of Control Put Option as may be relevant.

- (c) To exercise the Change of Control Put Option, the holder of the Notes must deliver at the specified office of any Paying Agent on any Business Day (as defined in Condition 5 (*Payments*)) at the place of such specified office falling within the Exercise Period, a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is to be made by cheque, an address) to which payment is to be made under this paragraph. The Notes should be delivered together with all Coupons appertaining thereto maturing after the Change of Control Redemption Date, failing which the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon(s). Any amount so paid will be reimbursed by the Paying Agent in the manner provided in Condition 5 (*Payments*) against presentation and surrender (or, in case of part payment only, endorsement) of the relevant missing Coupon(s) at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon(s) would otherwise have become void pursuant to Condition 8 (*Prescription*)) or, if later, five years after the date on which the Coupon(s) would have become due, but not thereafter. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

6.4 Interpretation

For the purpose of these Conditions:

A **Change of Control** shall be deemed to occur if at any time (1) prior to an Initial Public Offering, (i) the Qualifying Shareholder ceases to hold, legally and beneficially, directly or indirectly, more than 50 per cent. of the Issuer's issued share capital (or, if applicable, such higher percentage of the Issuer's issued share capital (A) carrying the right to appoint the majority of the members of the Issuer's board of directors and (B) as is required to pass any ordinary or extraordinary resolution at a general meeting of the Issuer's shareholders), or (ii) the Issuer ceases to be Controlled by the Qualifying Shareholder, provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control occurs by way of an Initial Public Offering or (2) at any time after an Initial Public Offering (following which the Qualifying Shareholder ceases to hold, legally and beneficially, directly or indirectly, more than 50 per cent of the Issuer's issued share capital (or, if applicable, such higher percentage of the Issuer's issued share capital (A) carrying the right to appoint the majority of the members of the Issuer's board of directors and (B) as is required to pass any ordinary or extraordinary resolution at a general meeting of the Issuer's shareholders)), a Person other than the Qualifying Shareholder (and not acting in concert with the Qualifying Shareholder) acquires, directly or indirectly, 30 per cent. or more of the IPO Entity's issued share capital;

A **Change of Control Put Event** shall be deemed to occur if a Change of Control occurs;

A **Change of Control Redemption Date** means the date specified in the Put Event Notice, being a date not less than 15 nor more than 30 days after the expiry of the Exercise Period;

Control and **Controlled** shall be construed in accordance with the first and second paragraphs of Article 2359 of the Italian Civil Code; and

Initial Public Offering means a Public Equity Offering of the Issuer or any parent entity (the **IPO Entity**) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognised exchange or traded on an internationally recognised market.

Public Equity Offering means with respect to any Person, a bona fide underwritten public offering of the ordinary shares or common equity of such Person.

Public Market means any time after: (1) a Public Equity Offering has been consummated; and (2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Issuer (or a parent entity) has been distributed to investors other than the Qualifying Shareholder or any Related Person.

Qualifying Shareholder means (i) Isabella Seràgnoli, born in Bologna, Italy, on 23 December 1945, with fiscal code SRG SLL 45T63A944 W and/or (ii) any Related Person.

Related Person means (a) the spouse, any direct or indirect (legal or adopted) family member, the designated heirs or the lineal descendants of any such persons of Isabella Seràgnoli (including but not limited to brothers, sisters, cousins, nieces and nephews), as well as, any trust, partnership or other estate planning vehicle established for the benefit of one or more of such persons, or the estate, executor, administrator, committee or beneficiaries of any thereof, or (b) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons beneficially holding a controlling interest of which consist of Isabella Seràgnoli and/or such other persons referred to in the immediately preceding clause (a).

6.5 Redemption at the Option of the Issuer

The Issuer may, having given not less than thirty (30) nor more than sixty (60) days' notice to the Noteholders in accordance with Condition 11 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes, at any time following the third anniversary of the Issue Date (for the purpose of these Conditions, the **Optional Redemption Date**) at a redemption price equal to the greater of:

- (a) *100 per cent. of the nominal amount of the Notes; or*
- (b) *as determined by the Reference Dealer (as defined below), the sum of the then-current values of the remaining scheduled payments of principal and interest on the Notes (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Dealer Rate (as defined below),*

plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

Any notice so given shall oblige the Issuer to redeem the Notes on the Optional Redemption Date accordingly.

For the purpose of this Condition 6.4:

Reference Dealer Rate means, with respect to the Optional Redemption Date, the sum of (i) the linearly interpolated rate corresponding to the original Maturity Date and calculated on the ISDA fixings at 11.00 a.m. London time, on the third business day in London preceding such Optional Redemption Date and (ii) 0.20 per cent. For this purpose, the **ISDA fixings at 11.00 a.m. London time** means the interest rates curve displayed daily on the ISDAFIX2 page on Reuters or any other equivalent data supplier; and **linearly interpolated rate** means the rate corresponding to the original Maturity Date and calculated with the before mentioned rates with the method explained in the 2006 ISDA definitions; and **Reference Dealer** means an independent and internationally recognised dealer in obligations similar to the 2019 Notes selected by the Issuer.

6.6 Purchases

The Issuer or any of its Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. If purchases are made by tender, tenders must be available to all Noteholders alike.

6.7 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.

7. TAXATION

7.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

- (b) presented for payment in the Republic of Italy; or
- (c) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (f) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5 (*Payments*)); or
- (g) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (h) in relation to any payment or deduction of any interest, premium or other proceeds of any Note, Receipt or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1st April 1996, as amended from time to time.

7.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means, in respect of any Note or Coupon, the date on which the payment in respect thereof first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 11 (*Notices*); and
- (b) **Relevant Jurisdiction** means Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

7.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

8. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5 (*Payments*).

9. EVENTS OF DEFAULT

9.1 Events of Default

The holder of any Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (**Events of Default**) shall have occurred and be continuing:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 (seven) days in the case of principal and 10 (ten) days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) an event of default (however described) occurs in respect of any Indebtedness for Borrowed Money (as defined in Condition 3 above) of the Issuer and such Indebtedness for Borrowed Money is declared or otherwise becomes due and repayable prematurely, provided that in the period following the event of default and prior to such Indebtedness for Borrowed Money being declared or otherwise becoming due and payable prematurely, the Issuer does not obtain a waiver; (ii) the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any applicable grace period or any waiver granted to the Issuer; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer in making any payment due on the due date thereof (including any extension by any applicable grace period or any waiver granted to the Issuer) under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other Person, provided that no event described in this Condition 9.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iii) above which have occurred and are continuing, amounts to at least €10,000,000.00 (or its equivalent in any other currency or currencies); or
- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, save, in respect of a solvent winding up or dissolution only, for the purposes of, or pursuant to, a reorganisation or transaction on terms approved by an Extraordinary Resolution; or

- (e) if the Issuer ceases (or, through an official action of its board of directors, threatens by expressing a clear and unequivocal intention to cease) to carry on the whole or a substantial part of its business, save for the purposes of a reorganisation or transaction on terms approved by an Extraordinary Resolution, or the Issuer stops (or, through an official action of its board of directors, threatens by expressing a clear and unequivocal intention to stop) payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated by the Issuer or by any third party against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or substantially the whole of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or substantially the whole of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially the whole of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 120 days, such period commencing on the date of the relevant petition or appointment; or
- (g) if the Issuer makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (h) if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any such obligations cease or will cease to be legal, valid, binding and enforceable; or
- (i) if any event occurs in relation to the Issuer which, under the laws of the Relevant Jurisdiction, has an analogous effect to any of the events referred to in Conditions 9(e) to 9(g) above.

10. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. NOTICES

11.1 Notices to the Noteholders

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide or, if the Notes are admitted to trading on the

professional segment of the ExtraMOT market, the multilateral trading facility managed by Borsa Italiana S.p.A. and is required by applicable laws or regulations, published in a manner that is in compliance with the rules of such multilateral trading facility. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, trading platform or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Without prejudice to the reporting obligations provided for by the rules of the professional segment of the ExtraMOT market or any of other stock exchange, trading platform or other relevant authority on which the Notes are for the time being listed, for so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11 (Notices). Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

11.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Fiscal Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with the standard rules and procedures.

12. MEETINGS OF NOTEHOLDERS AND MODIFICATION

12.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Resolution (as defined in the Agency Agreement) of any of these Conditions.

Any such meeting may be convened by the Board of Directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and they shall without delay convene any such meeting upon a request in writing signed by the holders of not less than one-twentieth of the nominal amount of the Notes for the time being outstanding. If they delay in convening such a meeting following such a request, the meeting may be convened by the Issuer's Board of Statutory Auditors. If they default in convening such a meeting following such request, the meeting may be convened by a decision of the competent Court upon request by such Noteholders. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code.

The constitution of meetings and the validity of resolutions thereof shall be governed by the applicable provisions of applicable Italian laws and the Issuer's by-laws in force from time to time. In particular: a meeting will be validly held if (i) in the case of first call there are one or more Persons present holding Notes or voting certificates or being proxies and holding or

representing in aggregate more than one half of the nominal amount of the Notes for the time being outstanding; (ii) in the case of second call or further call, there are one or more Persons present holding Notes or voting certificates or being proxies and holding or representing in aggregate more than one third of the nominal amount of the Notes for the time being outstanding.

The majority required to pass a resolution at any meeting (including an adjourned meeting) convened to vote on a Resolution will be (subject to the applicable Italian laws and the Issuer's by-laws in force from time to time) (i) in the case of first call, the favourable vote of one or more Persons holding Notes or Voting Certificates or being proxies representing more than one half of the nominal amount of the Notes represented at the meeting and (ii) in the case of second call or further call the favourable vote of one or more Persons holding Notes or Voting Certificates or being proxies representing at least two thirds of the nominal amount of the Notes represented at the meeting PROVIDED THAT in order to adopt any proposal at any meeting to modify the Conditions of the Notes, as provided under Article 2415 of the Italian Civil Code (including, to the extent these are matters that, pursuant to applicable law, can be resolved upon by a meeting of noteholders, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them; to reduce or cancel the principal amount of, or interest on, the Notes; or to change the currency of payment of the Notes (any such matter, a **Reserved Matter**)) the favourable vote of one or more Persons holding Notes or Voting Certificates or being proxies representing in the aggregate not less than one-half of the nominal amount of the Notes for the time being outstanding shall also be required.

The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by the majority specified above cast on such resolution, or (ii) consent given by way of electronic consents through the relevant clearing system(s) by the majority specified above shall, in each case and to the extent permitted by under the applicable law, be effective as a resolution of the Noteholders. Any resolution duly passed at any such meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

12.2 Noteholders' Representative

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a resolution of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three fiscal years but may be reappointed again thereafter.

12.3 Modification

The Fiscal Agent may agree, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and the Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 11 (*Notices*).

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

14. GOVERNING LAW AND SUBMISSION TO JURISDICTION

14.1 Governing Law

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with English law. Condition 12 (*Meetings of Noteholders and Modification*) and the provisions of the Agency Agreement concerning meetings of Noteholders and the appointment of the *rappresentante comune* in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

14.2 Jurisdiction of English Courts

- (a) Subject to Condition (c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 14.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

14.3 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints FlexLink Systems Ltd, with registered office at 2 Tanners Drive, Blakelands, Milton Keynes, MK14 5BN, United Kingdom at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another Person as its agent for that purpose.

14.4 Other Documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

15. RIGHTS OF THIRD PARTIES

No rights are conferred on any Person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together the **Global Notes**) which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if:

- (a) an event of default (as set out in Condition 9 (*Events of Default*)) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. In the case of (a) or (b) above, the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent and, in the case of (c) above, the Issuer may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Fiscal Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 10 November 2014, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the

order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Fiscal Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

Without prejudice to the reporting obligations provided for by the rules of the professional segment of the ExtraMOT market or any of other stock exchange, trading platform or other relevant authority on which the Notes are for the time being listed, for so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11 (*Notices*). Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each Person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any Person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notices to the Issuer pursuant to Condition 9 (*Events of Default*) and Condition 6.3 (*Redemption at the Option of the Noteholders*)) other than with respect to the payment of principal and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)).

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

7. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6.3 (*Redemption at the Option of the Noteholders*) may be exercised by an Accountholder giving notice to the Fiscal Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Fiscal Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Fiscal Agent for notation accordingly within the time limits set forth in that Condition.

8. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Notes are held.

9. ADMISSION TO TRADING

9.1 Request of admission to trading

The Issuer has filed with Borsa Italiana a request for the Notes to be admitted to trading on the professional segment (ExtraMOT PRO) of ExtraMOT Market. The decision of Borsa Italiana and the date of beginning of trading of the Notes on the professional segment (ExtraMOT PRO) of ExtraMOT Market, together with the information regarding the admission to listing, will be communicated by Borsa Italiana with specific notice, pursuant to Sec. 11.6 from the guidelines contained in the Regulation of ExtraMOT Market.

9.2 Other regulated markets and multilateral trading systems

As of the date of this Admission Document, the Notes are not listed on any regulated market or multilateral trading system or equivalent in any jurisdiction. The Issuer does not have any intention to file any request for the listing of the Notes or any other market or multilateral trading system, other than ExtraMOT Market.

9.3 Intermediaries on the transactions on the secondary market

There are no subjects which undertook to act as intermediaries on the secondary market.

10. TAX CONSIDERATIONS

10.1 Taxation in Italy

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Admission Document and are subject to any changes in law occurring after such date, which could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

*Law Decree No. 66 of 24 April 2014, published in the Official Gazette No. 95 of 24 April 2014 (“**Decree 66**”), as converted into law with amendments by Law No. 89 of 23 June 2014 (“**Law 89**”) introduced tax provisions amending certain aspects of the tax treatment of the Notes, as summarised below. The new rules are effective as of 1 July 2014. With reference to the imposta sostitutiva set out by Decree 239 (as defined below) the increased rate applies on interest accrued as of 1 July 2014.*

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996 (“**Decree 239**”), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian resident unlisted companies, provided that the notes themselves are traded on a EU or EEA regulated market or multilateral trading facility. For this purpose, bonds and debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or of control of) to management of the Issuer.

Italian resident holders

Where the Italian resident holder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito regime* – see “Capital Gains Tax” below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that the holders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Pursuant to Law 89, non-commercial pension entities incorporated under Law No. 509 of 30 June 1994 or Law No. 103 of 10 February 1996 are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent. on financial proceeds deriving from their investments (including the Notes) from 1 July 2014 to 31 December 2014, as certified by the relevant withholding agent, and a notional 20 per cent. taxation, provided that such tax credit is disclosed by such entities in the annual corporation tax return.

Where an Italian resident holder of the Notes is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant holder's income tax return and are therefore subject to general Italian Corporate taxation (“**TRES**”) (and, in certain circumstances, depending on the “status” of the holder, also to IRAP – the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994, are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is a fund or a SICAV (an Italian investment company with variable capital) established in Italy and either (i) the fund or SICAV or their manager is subject to the supervision of a regulatory authority (the “**Fund**”) and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such result, but a withholding tax of 26 per cent. (the “**Collective Investment Fund Tax**”) will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders. For an interim period, in certain circumstances, the Collective Investment Fund Tax may remain applicable at a rate of 20 per cent. for income accrued as of 30 June 2014.

Where an Italian resident holder of a Note is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax (increased to 11.5 per cent. for 2014 pursuant to Law 89).

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an “**Intermediary**”).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of the Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a holder of a Note.

Non-Italian resident holders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

The countries which allow for a satisfactory exchange of information are listed in the Ministerial Decree dated 4 September 1996, as amended from time to time.

Please note that according to the Law No. 244 of 24 December 2007 (“**Budget Law 2008**”) a Decree still to be issued will introduce a new “white list” replacing the current “black list” system, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the holder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident holder of the Notes is an individual not holding the Notes in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such holder of the Notes from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Holders of the Notes may set off losses with gains.

Pursuant to Law 89, non-commercial pension entities incorporated under Law No. 509 of 30 June 1994 or Law No. 103 of 10 February 1996 are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent. on financial proceeds deriving from their investments (including the Notes) from 1 July 2014 to 31 December 2014, as certified by the relevant withholding agent, and a notional 20 per cent. taxation, provided that such tax credit is disclosed by such entities in the annual corporation tax return.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the “tax declaration” regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individuals holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital

losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant holder of the Notes. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the holder of the Notes or using funds provided by the holder of the Notes for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the holder of the Notes is not required to declare the capital gains in its annual tax return. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the holder of the Notes is not required to declare the capital gains realised in its annual tax return. Pursuant to Decree No. 66, depreciations may be carried forward to be offset against increases in value of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations realised before 1 January 2012; (ii) 76.92 per cent. of the depreciations realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by a holder of the Notes which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a holder of the Notes which is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax (increased to 11.5 per cent. for 2014 pursuant to Law 89).

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351 as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with

Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The countries which allow for a satisfactory exchange of information are listed in the Ministerial Decree dated 4 September 1996, as amended from time to time.

Please note that, according to the Budget Law 2008, a Decree still to be issued should introduce a new 'white list' replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006 converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (“**Decree 201**”), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary in Italy. As of 1 January 2014, the stamp duty applies at a rate of 0.2 per cent. and, for taxpayers different from individuals, cannot exceed €14,000. This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on Notes deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent. This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Implementation in Italy of the Directive

Italy has implemented the Directive through Legislative Decree No. 84 of 18 April 2005 (“**Decree 84**”). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

The proposed European financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the FTT.

10.2 Certain U.S. Federal income tax considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. holder (as defined below), except for the discussions below under "*—Foreign Account Tax Compliance*", and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non U.S. tax laws. This discussion is based upon the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change at any time, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service ("**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS or a court will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes than those discussed herein or that any such position would not be sustained in the event of litigation.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in place to be treated as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

The summary of certain U.S. federal income tax considerations set forth below is for general information purposes only. Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of stated interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be included in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the Euro interest payment (determined based on the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. Under applicable Treasury regulations, the "spot rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a spot contract involving representative amounts. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euros that has accrued with respect to the Notes during an accrual period. An accrual basis U.S. holder may determine the amount of income recognized with respect to an interest denominated in Euro in accordance with either of two methods. Under the first method, the U.S. dollar value of such Euro denominated accrued stated interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year.

An accrual basis U.S. holder may elect under the second method, however, to translate such accrued stated interest income into U.S. dollars using the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other debt instruments held by an electing U.S. holder, and may not be changed without the consent of the IRS.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the Euro payment received (determined based on the spot rate on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax

credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Original issue discount

The Notes will be issued with original issue discount (“**OID**”) for U.S. federal income tax purposes. Accordingly, U.S. holders generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders will include any OID in income in advance of the receipt of cash attributable to such income.

The amount of OID includible in income by a U.S. holder is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note (“**accrued OID**”). A daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID that accrued in such period. The “accrual period” of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note’s “adjusted issue price” at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is equal to its issue price, increased by the accrued OID for each prior accrual period.

OID on the Notes will be determined for any accrual period in euros and then translated into U.S. dollars in accordance with either of the two alternative methods described above in the third and fourth paragraphs under “—*Payments of stated interest*”.

A U.S. holder will recognize foreign currency exchange gain or loss when OID is paid (including, upon the sale of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the Euro payment received, determined based on the spot rate on the date such payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note will be viewed first, as payments of stated interest payable on the Note; second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipt of principal.

Foreign currency exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign tax credit

Stated interest income and OID, on a Note generally will constitute foreign source income and generally will be considered “passive category income” in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. holder’s ability to claim foreign tax credits. The rules governing the calculation of foreign tax credits are complex and depend on a U.S. holder’s particular circumstances. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder’s adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such

foreign currency based on the spot rate on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

A U.S. holder's adjusted tax basis in a Note will, in general, be the amount paid for such Note by such U.S. holder, increased by previously accrued OID. If a U.S. holder uses foreign currency to purchase a Note, the amount paid for the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate on the date of purchase.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and, except as discussed below with respect to foreign currency gain or loss, generally will be capital gain or loss. Capital gains of non corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, redemption, retirement or other taxable disposition of the Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be treated as U.S. source income or as an offset to U.S. source income, respectively, and will generally be treated as ordinary income or loss and generally will not be treated as interest income or expense. For these purposes, the principal amount of a Note is the U.S. holder's foreign currency purchase price of the Note. Gain or loss attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will equal the difference, if any, between (i) the U.S. dollar value of the principal amount of the Note, determined at the spot rate on the date the U.S. holder disposes of the Note and (ii) the U.S. dollar value of the principal amount of the Note, determined at the spot rate on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest and accrued OID, which will be treated as discussed above under "*Payment of stated interest*" or "*Original issue discount*", as applicable. However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize any foreign currency exchange gain or loss (including with respect to principal, accrued interest and accrued OID) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Additional Notes

The Issuer may issue Additional Notes as described under "*Description of the Notes*". These Additional Notes, even if they are treated for non tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have OID (or a greater amount of OID) which may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Exchange of foreign currencies

A U.S. holder will have a tax basis in any euros received as stated interest or upon the sale, exchange, redemption, retirement or other taxable disposition of a Note equal to the U.S. dollar value thereof at the spot rate of exchange in effect on the date of receipt of the euros. Any gain or loss realized by a U.S. holder on a sale or other disposition of euros, including their exchange for U.S. dollars, will be ordinary income or loss generally not treated as interest income or expense and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of principal and stated interest (including the accrual of OID) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide an accurate taxpayer identification number or a certification that it is not subject to backup withholding or otherwise fails to comply with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided that the required information is timely furnished to the IRS.

Tax return disclosure requirements

Treasury regulations issued under the Code meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount (e.g., \$50,000 in the case of an individual or trust), such as the receipt or accrual of interest or a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals (and, under proposed Treasury regulations, certain entities) that own "specified foreign financial assets" with an aggregate value in excess of \$50,000 on the last day of the tax year or more than \$75,000 at any time during the tax year (or such larger values as specified in such legislation), generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at a U.S. financial institution (in which case the account may be reportable if it is maintained by a foreign financial institution).

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign account tax compliance

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on payments of "foreign passthrough payments" made on certain debt instruments and the gross proceeds from the disposition of such debt instruments. However, the application of these rules is not clear. For this purpose, an entity may be treated as a "financial institution" if it is a holding company formed in connection with or availed of by a private equity fund or other similar investment vehicle established with an investment strategy of investing, reinvesting, or trading in financial assets. Even if the Issuer were treated as a foreign financial institution, debt instruments issued by it on or prior to the date that is six months after the date on which applicable final Treasury regulations are filed, generally would be "grandfathered" from FATCA unless "materially modified" (for U.S. federal income tax purposes) after such date. No such regulations have been issued yet. Accordingly, even if the withholding under FATCA were otherwise potentially applicable to payments on or with respect to the Notes, such withholding will not apply to those payments under the grandfathering rules, unless the Notes were materially modified after the applicable date. However, if Additional Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes issued hereby, as subject to withholding under FATCA. Italy has entered into an intergovernmental agreement (an "IGA") with the United States to implement FATCA. The IGA and future guidance implementing the IGA may alter the rules described herein. Holders should consult their own tax advisors on the potential impact of FATCA, the Italian IGA and any non U.S. legislation

implementing FATCA, on their investment in the Notes. In the event any withholding under FATCA is required or advisable with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

11. SUBSCRIPTION AND SALE

Banca IMI S.p.A., BNP Paribas and Unicredit Bank AG (the “**Joint Bookrunners**”) have, in a subscription agreement dated 29 September 29, 2014 (the “**Subscription Agreement**”), upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 100.00 per cent., of their principal amount less a combined commission. The Issuer has also agreed to reimburse the Joint Bookrunners for certain of their expenses incurred in connection with the issue of the Notes. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

11.1 General

No action has been or will be taken in any jurisdiction by the Issuer or any Joint Bookrunner that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Admission Document or any offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Admission Document comes are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Admission Document or any other offering material relating to the Notes, in all cases at their own expense.

Each Joint Bookrunner has represented, warranted and agreed that it will, to the best of its knowledge and belief, comply with all the relevant laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Admission Document or any other offering material, in all cases at its own expense.

11.2 United States of America

The Notes have not been and will not be registered under the Securities Act or any state securities laws in the United States. The Notes are being offered only outside the United States by the Joint Bookrunners to certain investors in offshore transactions in reliance on Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, “U.S. persons,” except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Each Joint Bookrunner has represented and warranted that it has not offered and sold the Notes, and that it will not offer and sell the Notes (a) as part of its own distribution at any time, or (b) otherwise until forty (40) days after the later of the commencement of the offering and the Closing Date, except in accordance with Rule 903 of Regulation S. Accordingly, none of the Joint Bookrunners, any of their respective Affiliates (as defined in Rule 405 of the Securities Act) nor any person acting on their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and each of the Joint Bookrunners has represented and agreed that it has complied and will comply with the offering restrictions requirement of Regulation S. Each Joint Bookrunner has agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered and sold within the United States or to, or for the account or benefit of, “U.S. persons” (i) as part of their distribution at any time, or (ii) otherwise, until forty (40) days after the later of the commencement of the offering and the Closing Date, except pursuant to an exemption from, or in a transaction not subject to, the regulation requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in the above paragraph have the meanings given to them by Regulation S.

Each Joint Bookrunner has represented, warranted and agreed with the Issuer that:

- a) except to the extent permitted under U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**D Rules**”):
 - (i) it has not offered or sold, and during the forty (40)-day restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and
 - (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any definitive Notes in bearer form that are sold during the restricted period;
- b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- c) if it is a United States person, (i) it is acquiring the Notes in bearer form for the purposes of resale in connection with their original issue and (ii) if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and
- d) with respect to each Affiliate (as defined in Rule 405 of the Securities Act) of any Joint Bookrunner that acquires Notes in bearer form from such Joint Bookrunner for the purpose of offering or selling such Notes during the restricted period, such Joint Bookrunner undertakes to the Issuer that it will either (i) repeat and confirm the representations and agreements contained in sub-paragraphs (a), (b) and (c) above on its behalf, or (ii) obtain from such affiliate for the benefit of the Issuer the representations and undertakings contained in sub-paragraphs (a), (b) and (c) above.

Terms used in the above paragraph have the meaning given to them by the Code and regulations thereunder, including the D Rules.

In addition, until forty (40) days after the commencement of the offering, an offer or sale of securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Joint Bookrunner has acknowledged that the Notes will be represented upon issuance by a Temporary Global Note which is not exchangeable for Permanent Global Notes or definitive Notes until the expiration of the 40-day distribution compliance period and, for persons other than distributors, until certification of beneficial ownership of the Notes by a non-U.S. person or a U.S. person who purchased securities in a transaction that did not require registration under the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

11.3 European Economic Area.

This Admission Document has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC, as implemented in member states of the European Economic Area (“**EEA**”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Joint Bookrunners to produce a prospectus for such offer. Neither the Issuer nor the Joint Bookrunners have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Joint Bookrunners, which constitute the final placement of the Notes contemplated in this Admission Document.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the offer to the public of any Notes which is the subject of this Offering contemplated by this Offering Memorandum is not being made and will not be made in that Relevant Member State, other than:

- to any legal entity which is a “qualified investor” as defined under the Prospective Directive (which refers to the definition of professional investors set forth in Directive 2004/39/EC (the Markets in Financial Instruments Directive); and
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, *provided* that no such offer of the Notes shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

11.4 The Republic of Italy

The offering of the Notes has not been cleared by CONSOB pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of the Admission Document or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of 24 February 1998, as amended (the “**Italian Financial Act**”), as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended (“**CONSOB Regulation No. 16190**”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**CONSOB Regulation No. 11971**”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and Article 34-ter of CONSOB Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of the Admission Document or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and:

- a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, CONSOB Regulation No. 16190, Legislative Decree No. 385 of 1 September 1993 as amended (the “**Banking Act**”) and any other applicable laws or regulations;
- b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and
- c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

11.5 United Kingdom

Each Joint Bookrunner has represented, warranted and agreed that:

- a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- b) it has complied and will comply with all applicable provisions of the FSMA and the regulations adopted thereunder with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

11.6 Potential Conflicts of Interest

Certain of the Joint Bookrunners and their affiliates have engaged, and may in the future engage in lending, sales and trading, investment banking and/or commercial banking transactions (including, without limitation, the provision of loan facilities and/or securitisation transactions) and other related transactions with, hedging, market making, brokerage, and may perform financial and non-financial activities and services for, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the issuer's affiliates or any entity related to the Notes. Certain of the Joint Bookrunners and their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. In particular Intesa Sanpaolo S.p.A. and UniCredit S.p.A., the respective parent companies of Banca IMI S.p.A. and UniCredit Bank AG, each a Joint Bookrunner under the Notes, and BNP Paribas, also a Joint Bookrunner, have made significant financing to the Issuer and its parent and subsidiary companies and Banca IMI S.p.A., as well as the other Joint Bookrunners, shall receive certain commissions for the services rendered under the Subscription Agreement. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, the term "affiliates" includes also parent companies.

REGISTERED OFFICE OF THE ISSUER

Coesia S.p.A.
Via Battindarno, 91
40133 Bologna
Italy

INDEPENDENT AUDITORS

KPMG S.p.A.
Via Vittor Pisani 25
20124 Milan
Italy

FISCAL AGENT AND PAYING AGENT

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Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

APPENDIX I

Issuer's financial statements for the financial year ended at December 31, 2013



**(Translation from the Italian original which remains the
definitive version)**

COESIA S.p.A.

**Financial statements
as at and for the year ended
31 December 2013
(with report of the auditors thereon)**



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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
COESIA S.p.A.

- 1 We have audited the financial statements of COESIA S.p.A. as at and for the year ended 31 December 2013. The company's directors are responsible for drawing up these financial statements in accordance with the Italian regulations governing their preparation. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 23 April 2013 for our opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes as required by law.
- 3 In our opinion, the financial statements of COESIA S.p.A. as at and for the year ended 31 December 2013 comply with the Italian regulations governing their preparation. Therefore, they are clearly stated and give a true and fair view of the financial position and results of operations of the company as at and for the year ended 31 December 2013.
- 4 The directors of COESIA S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of COESIA S.p.A. as at and for the year ended 31 December 2013.

Bologna, 23 June 2014

KPMG S.p.A.

(signed on the original)

Rodolfo Curti
Director of Audit

(Translation from the Italian original which remains the definitive version)

COESIA S.p.A. - with registered office in Bologna - Via Battindarno 91

Tax code 02221441203 - Fully paid-up share capital €125,000,000

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS' REPORT

Dear shareholders,

This report accompanies the separate financial statements as at and for the year ended 31 December 2013 of Coesia S.p.A., which we submit for your approval.

Events of the year and activities of the company

Coesia S.p.A. is the holding company of an industrial group. Its subsidiaries' core business relates to the design, construction and sale of (i) automated packing and packaging machinery for the tobacco, food, cosmetics, pharmaceutical, nappy and consumer goods segments (Advanced Automated Machinery), (ii) manufacturing logistics solutions and production control and in-line printing equipment (Industrial Process Solutions) and (iii) gears on behalf of third parties (Precision Gears).

In October 2013, Coesia S.p.A. acquired 100% of IPI S.r.l., one of the few companies operating worldwide in the supply of integrated solutions in the field of aseptic packaging of liquids in multi-layer carton for the food and beverage industry. With turnover of approximately €51 million, IPI group has roughly 140 employees and is active in 30 countries. For Coesia group, the acquisition of IPI is another step towards strengthening its position in the consumer goods packaging industry.

Coesia S.p.A. is the direct parent of the following companies operating in the various group businesses, i.e.:

- G.D S.p.A., with registered office in Bologna, is active in the field of automated packing and packaging machinery for cigarettes and the tobacco industry in general. G.D S.p.A. controls a network of companies (in the USA, Brazil, Germany, United Kingdom, China, Japan, Singapore, Hong Kong, Indonesia, Russia, South Africa, South Korea and Turkey) that serve as its distribution and after-sales centres, as well as genuine production centres (in the USA, Brazil, Germany, Japan, Turkey and Indonesia); moreover G.D S.p.A. owns the 100% of Sasib S.p.A., with registered office in Castel Maggiore (Bologna), a company committed to the production of automated machinery for the tobacco industry with an high range of maker and packer lines installed in several market in the world and which allows to complete and integrate, also in the low speed segment, the lines of products that G.D S.p.A. offers to its clients;
- ACMA S.p.A., with registered office in Bologna, produces automated machinery for the food segment and consumer goods manufacturing in general;
- GDM S.p.A., with registered office in Offanengo (CR), is active in the field of automated nappy and sanitary napkin production machinery;
- VOLPAK S.A., with registered office in Barcelona (Spain), is active in the automated packaging machinery segment;
- NORDEN AB, with registered office in Kalmar (Sweden), which manufactures packaging and tube filling machines for the cosmetics and pharmaceutical industry, in addition to packing lines;
- CITUS KALIX SAS, with registered office in Evry (France), is part of Norden group and operates in the tube and lipstick packaging and filling machines for the cosmetics

industry, in addition to packing lines;

- HAPA AG, with registered office in Zurich (Switzerland), is active in the in-line printing equipment segment for the pharmaceutical machinery segment;
- LAETUS GmbH, with registered office in Halsbach–Hahnlein (Germany), operates in the design, production and sale of production control equipment for the pharmaceutical machinery segment;
- CIMA S.p.A., with registered office in Bologna, operates as a subcontractor in the gearing field for the automotive (particularly racing), motorcycle, aeronautics and automated machinery segments;
- FLEXLINK, a Swedish group with registered office in Goteborg (Sweden), operates in the design, construction and sale of top-end manufacturing logistics solutions;
- R.A. JONES & CO. INC., based in Covington (Kentucky) in the United States, produces automated machinery for the food segment and for consumer goods manufacturing in general;
- IPI S.r.l., with registered office in Perugia, produces aseptic filler machines, package opening and closing systems and multi-layer packaging material using a combination of polyethylene, paper and aluminium sheets. IPI has two production sites in the Perugia area.

The economic situation

In 2013, the global economy showed signs of improvement and is slowly continuing on its path of moderate growth. In the year, US GDP rose 1.9% (+2.2% in 2012), while Eurozone GDP fell 0.4% (+0.4% in 2012). In Germany, it grew only 0.5% (versus 0.9% in 2012), whereas in Japan, it increased 1.7% (+1.6% in 2012). In emerging countries, economic activity slowed, although it remained at high levels. Chinese GDP grew 7.7%, compared to growth of roughly 7.5% in 2012, that of India it climbed 4.4%, compared to

approximately 4.5% in 2012. According to the International Monetary Fund's most recent estimates, prospects for 2014, despite risks of decline, indicate a slight recovery in the global economy with expected growth of 3.7%, although the various economies are expected to grow at disparate rates, boosted by the more advanced and industrialised economies, particularly the US, Germany and Japan, as emerging economies show signs of weakness that encourage prudent valuations.

Markets

The market situation of the main group companies is the following:

"Tobacco machinery": global cigarette consumption remained steady, but with a declining trend. China and Southeast Asia also show a slowdown.

While demand for standard machinery is down, it remains sustained for innovative products for cigarettes, filters and special packages for the segment that requires to provide innovative solutions. The focus on that segment will be crucial in preserving current business levels in 2014 and beyond.

The European Community is expected to issue the i.e. EU tobacco product directive ("tobacco directive") in the near future, although the various member states will have 24 months to implement it in their countries.

The restrictions are significant and mainly relate to the minimum size of packages and cigarettes and the space devoted to health warnings, which will now need to cover 65% of the package.

However, there is some indecisiveness and space left open to interpretation (especially with respect to the compliance of special products now and in the future, i.e., EU tobacco product compliance); this creates uncertainty, which reflects in a wait-and-see approach and the postponement of investments on the market.

In the next two or three years, however it will also be possible to supply units to

convert/adapt to the new legislation.

Another opportunity offered by the market is the reduction in production costs through the use of more flexible lines. The subsidiary G.D has concentrated on this area in recent years and is now in a position to fully respond to customer needs.

Another increasingly important segment is after-sales, in which turnover continues to grow for maintenance services, technical assistance for production and the supply of spare parts.

Consumer Goods Machinery, Industrial Process Solutions and Precision Gears:

In 2013, order flows consolidated, remaining substantially in line with 2012. The acquisition of R.A. Jones has enabled Coesia to significantly increase its presence on the relevant markets. The group's 2013 results in these divisions show turnover is up on the previous year, in part due to the acquisition of R.A. Jones, while profitability before most overheads has substantially remained steady.

Business risks

In relation to the requirements of article 2428 of the Italian Civil Code for disclosures about the main "risks and uncertainties" and the "environment and personnel", no significant events took place.

Coesia S.p.A.'s subsidiaries are exposed to the normal risks and uncertainties of industrial businesses engaged in designing, producing and selling consumer goods with a high technological content on international markets. The related financial risks (credit, liquidity, currency, interest rate) do not significantly impact the company's financial position and results of operations, although they exist and are carefully monitored and managed. Specifically, Coesia S.p.A. and its subsidiaries hedge currency and interest rate risks using the relevant hedging instruments.

Investments in foreign operations are not hedged, except for the programmed distribution

of dividends, as foreign currency positions are considered to be of a long-term nature.

As noted, Coesia S.p.A.'s and its subsidiaries' market is characterised by demand for highly technological and innovative solutions and, accordingly, the company's group invests around 5% of its turnover in R&D. In this context, employees' expertise is of strategic importance, especially in technical areas. It invests heavily and constantly in training and retaining its employees and in the work place. It carefully monitors and applies the relevant labour legislation, especially that covering occupational health and safety, and has adopted the management model provided for by Legislative decree no. 231 covering safety in the workplace.

Finally, with respect to market risks, in addition to that described above, the subsidiary G.D. faces other potential factors that affect cigarette consumption and demand for new machinery, the new legislation regulating and increasingly limiting both tobacco consumption and the use of special packaging (on which, as noted previously, a growing part of the company's business is based) outside the EU and US as well. Furthermore, the development of special projects could undergo price pressure due to our customers' need to sustain profitability.

Performance

In 2013, the company achieved a net profit of €7.3 million (2012: €5.5 million), mainly characterised by:

- dividends from subsidiaries totalling €28.8 million (including €20 million from G.D S.p.A., €2.5 million from Volpak SA, €4.8 million from HAPA AG, €1.5 million from Flexlink AB), compared to €30.5 million in 2012;
- adjustments to investments in subsidiaries, amounting to €5.4 million, compared to €13.4 million in 2012. 2013 adjustments are due to the impairment losses on the investment in ACMA S.p.A., which reported a net loss for 2013, mainly following

considerable investments in research and development for new products.

Trends in financial income and charges are shown in the cash flow statement attached to the notes to the financial statements. The net financial debt at the end of 2013 shows an increase on the 2012 year end, as does the impact of financial charges, which rose from €9.4 million at 31 December 2012 to €16.3 million at 31 December 2013, mainly due to loans received for the 2012 acquisitions, the acquisition of IPI S.r.l. and to distribute dividends of €16 million to the parent.

Overall, Coesia S.p.A.'s net financial debt at 31 December 2013 amounts to €485.6 million, compared to €441.6 million at 31 December 2012 (including financial receivables/payables from/to subsidiaries, the financial payable to the parent and bonds). Bank loans and borrowings total €341.8 million at 31 December 2013 and include loans of €16.8 million due within one year, loans of €205 million due in 2015 and committed revolving credit facilities of €120 million due in 2018. The reimbursement of the above mentioned loans and borrowings will be managed through the cash flows generated by dividends distributed and / or by loans granted by subsidiaries.

Presentation of the consolidated financial statements

As the company holds significant controlling interests, as defined by article 2359 of the Italian Civil Code, and for more complete disclosure, it has prepared consolidated financial statements as at and for the year ended 31 December 2013 pursuant to Legislative decree no. 127/91. The consolidated financial statements will be filed together with the separate financial statements.

Research and development activities

The company does not carry out any research and development activities directly.

Related party transactions

A detailed list of all transactions with group companies, carried out on an arm's length

basis, is included in the notes to the separate financial statements, to which reference should be made.

The performance of the main segments and group companies is discussed below.

- G.D S.p.A. performed better than in 2013. Its 2013 turnover grew 8.4% from €593.9 million to €643.9 million. Its operating profit was €136.9 million after expensing R&D costs of around 6% of turnover. The improvement on 2012 (€111.0 million) is due to greater sales volumes and the favourable mix of the after-sales segment.
- On the other hand, about the companies actives in the Consumer Goods Machinery, Industrial Process Solutions and Precision Gears:
 - ACMA S.p.A. ended the year with an operating loss of €6.2 million, showing a worsening on the previous year (in 2012, the operating loss was €2.3 million). This worsening was mainly due to considerable investments in research and development activities for new products;
 - GDM S.p.A.'s 2013 results were substantially in line with 2012. Turnover in 2013 (€52.7 million, including the change in inventory for long-term contracts) is down on 2012 (€53.5 million), while the operating profit has slightly improved (2013: €3.8 million; 2012: €3.7 million). The company ended the year with a sound order backlog, up on the previous year, putting it on a significant growth path for 2014;
 - VOLPAK SA ended 2013 with turnover (€59.0 million) down on 2012 (€66.2 million). The operating profit fell from €11.3 million in 2012 to €10.2 million in 2013 due to greater operating costs;
 - CIMA S.p.A. performed better in 2013 than in 2012. Although the company's 2013 turnover was slightly down on the previous year (from €19.1 million in 2012 to €18.3 million in 2013), after a substantial operating break-even in 2012, the

company posted an operating profit of €0.4 million in 2013. This improvement was due to the growth in the industrial profit margin, bolstered by orders from the industrial sector.

- In 2013, Hapa enjoyed growth in consolidated turnover (€43.2 million in 2013, compared to €40.6 million in 2012) and an improvement in the operating profit (€4.5 million in 2013, compared to €3.8 million in 2012, before the amortisation of goodwill). The improvement in the operating profit was mainly due to cost control measures and a reduction in R&D investments, which had been particularly significant in 2012.
- 2013 was a year of structural consolidation for Laetus, with consolidated turnover substantially in line with the previous year (€19.3 million in 2013, compared to €19.4 million in 2012) while the operating loss worsened (operating loss of €1.3 million in 2013, compared to an operating profit of €0.6 million in 2012, before the amortisation of goodwill). The negative trend in costs was mainly due to investments to strengthen the sales and technical structures and to develop new products. These investments were necessary to meet a particularly high influx of orders from the pharmaceutical sector due to new regulations issued by the European Authorities. The orders will be filled in 2014 and subsequent years, with forecasts of a substantial increase in business and results;
- Norden group (formerly Sirius group), which also includes Citus Kalix Sas, in the 2013 has seen an improvement in its results, with consolidated turnover at €104.7 million (2012: €101.3 million) and an operating profit rising to €7.2 million (2012: €7.0 million).
- Flexlink group ended 2013 with consolidated turnover of €173.8 million (2012: €178.3 million) and an operating profit of €11.8 million, down on the €19.1 million

of 2012. This worsening was due to the industrial profit margin, adversely affected by the new project portfolio mix, problems fulfilling certain orders and increased overheads.

- Lastly, R.A. Jones & Co. posted 2013 turnover of €115.7 million and an operating profit of €10.4 million. The company's performance was negatively affected by the decrease in investments by its key customer, but the cost trend was kept under control.

With regard to the disclosure required by article 2427.22-bis of the Italian Civil Code, there have been no "relevant" related party transactions and/or transactions "not carried out on an arm's length basis".

Number and nominal value of own shares or shares of parents

The company does not hold any own shares.

Subsequent events

Nothing to report.

Management and coordination

Coesia S.p.A. is not managed and coordinated by other companies. It manages and coordinates all of its subsidiaries.

Other information requested by article 2364 of the Italian Civil Code

The Board of Directors has made use of the longer term of 180 days for the approval of the financial statements as at 31 December 2013, as the company is required to prepare the consolidated financial statements.

Outlook

The company's results are directly impacted by the performance of its subsidiaries.

The order trends foreseen for 2014 and the current backlog level lead us to expect slightly improved turnover and results for the Advanced Automated Machinery, Industrial

Process Solutions, Aseptic Packaging (IPI group) and Precision Gears segments compared to 2013, although subject to the evolution of the still complex and volatile market situation.

The separate financial statements as at and for the year ended 31 December 2013, which we submit for your approval, show a net profit of €7,300,495.50, net of provisions for all charges relating to the year. We propose the net profit be allocated as follows:

- €365,024.77 to the legal reserve and
- €6,935,470.73 to the extraordinary reserve.

We trust that you will approve of our work and we are confident that the company will continue to perform well.

Bologna, 23 June 2014

On behalf of the board of directors:

Isabella Seragnoli

(signed on the original)

COESIA S.p.A. - with registered office in Bologna (BO) - Via Battindarno 91

Fully paid-up share capital €125,000,000.00

Tax code and Bologna Company Register no. 02221441203 - REA no. 421928

(figures shown in Euros)

| | 31 December | 31 December |
|---|--------------------|--------------------|
| BALANCE SHEET | 2013 | 2012 |
| ASSETS | | |
| (A) Share capital proceeds to be received | 0 | 0 |
| (B) Fixed assets | | |
| I - Intangible fixed assets: | | |
| 1) Start-up and capital costs | 0 | 0 |
| 4) Concessions, licences, trademarks and similar rights | 222,028 | 10,917 |
| 6) Assets under development and payments on account | 88,200 | |
| 7) Other | 4,323,408 | 3,281,668 |
| Total | <u>4,633,636</u> | <u>3,292,585</u> |
| II - Tangible fixed assets | 0 | 0 |
| III - Financial fixed assets | | |
| 1) Investments: | | |
| a) subsidiaries | 705,600,055 | 669,350,890 |
| 2) Financial receivables from others | | |
| - due after one year | 5,200 | 0 |
| Total | <u>705,605,255</u> | <u>669,350,890</u> |

| | | |
|---|--------------------|--------------------|
| Total fixed assets (B) | <u>710,238,891</u> | <u>672,643,475</u> |
| (C) Current assets | | |
| I - Inventory | 0 | 0 |
| II - Receivables | | |
| 2) From subsidiaries: | | |
| due within one year | 10,151,140 | 4,197,451 |
| due after one year | 44,236,530 | 56,843,856 |
| 4) From the ultimate parent | 5,579,695 | 4,219,450 |
| 4-bis) Tax receivables | 941,157 | 611,571 |
| 4-ter) Deferred tax assets | 508,542 | 241,996 |
| 5) From others | <u>220,628</u> | <u>637,917</u> |
| Total receivables | <u>61,637,692</u> | <u>66,752,241</u> |
| III - Current financial assets | 0 | 0 |
| IV - Liquid funds | | |
| 1) Bank and postal accounts | 7,723,236 | 1,753,518 |
| 3) Cash-in-hand and cash equivalents | <u>2,651</u> | <u>2,345</u> |
| Total liquid funds | <u>7,725,887</u> | <u>1,755,863</u> |
| Total current assets | <u>69,363,579</u> | <u>68,508,104</u> |
| (D) Prepayments and accrued income | <u>101,761</u> | <u>66,771</u> |
| TOTAL ASSETS | <u>779,704,231</u> | <u>741,218,350</u> |
| LIABILITIES | | |
| (A) Net equity | | |
| I - Share capital | 125,000,000 | 125,000,000 |
| II - Share premium reserve | 0 | 0 |
| III - Revaluation reserves | 0 | 0 |

| | | |
|---|--------------------|--------------------|
| IV - Legal reserve | 11,907,242 | 11,632,918 |
| V - Statutory reserves | 0 | 0 |
| VI - Reserve for own shares in portfolio | 0 | 0 |
| VII - Other reserves | | |
| 1) Extraordinary reserve | 75,714,891 | 86,502,742 |
| 4) Euro rounding reserve | (1) | 0 |
| VIII - Retained earnings/(losses carried forward) | 0 | 0 |
| IX - Net profit for the year | 7,300,495 | 5,486,474 |
| Total net equity | <u>219,922,627</u> | <u>228,622,134</u> |
| (B) Provisions for risks and charges | | |
| 3) Other provisions | 450,000 | 4,512,393 |
| (C) Employees' leaving entitlement | <u>78,654</u> | <u>93,033</u> |
| (D) Payables | | |
| 1) Bonds: | | |
| - due within one year | 0 | 0 |
| - due after one year | 100,000,000 | 100,000,000 |
| 3) Shareholder loans | 10,000,000 | 0 |
| 4) Bank loans and borrowings | | |
| - due within one year | 16,829,918 | 28,913,465 |
| - due after one year | 325,000,000 | 333,825,591 |
| Total bank loans and borrowings | <u>341,829,918</u> | <u>362,739,056</u> |
| 7) Trade payables | 2,407,175 | 2,879,220 |
| 9) Payables to subsidiaries | 91,737,587 | 38,638,880 |
| 11) Payables to the ultimate parent | 16,751 | 0 |
| 12) Tax payables | 412,090 | 539,726 |

| | | |
|---|--------------------|--------------------|
| 13) Social security charges payable | 67,574 | 48,915 |
| 14) Other payables | | |
| - due within one year | 5,031,438 | 417,907 |
| - due after one year | 4,500,000 | 0 |
| Total payables | <u>556,002,533</u> | <u>505,263,704</u> |
| (E) Accrued expenses and deferred income | <u>3,250,417</u> | <u>2,727,086</u> |
| TOTAL LIABILITIES | <u>779,704,231</u> | <u>741,218,350</u> |

MEMORANDUM AND CONTINGENCY ACCOUNTS

Personal guarantees given:

| | | |
|---------------------------------------|----------------|------------------|
| - Sureties in favour of subsidiaries | 500,119 | 3,187,607 |
| - Sureties in favour of third parties | 8,200 | 6,600 |
| Total | <u>508,319</u> | <u>3,194,207</u> |

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PROFIT AND LOSS ACCOUNT

(A) Production revenues

| | | |
|-------------------------------------|------------------|------------------|
| 1) Turnover from sales and services | 0 | 0 |
| 5) Other revenues and income | 8,978,728 | 4,977,203 |
| Total production revenues | <u>8,978,728</u> | <u>4,977,203</u> |

(B) Production cost

| | | |
|----------------------------------|------------|-----------|
| 7) Services | 10,208,586 | 7,648,457 |
| 8) Use of third party assets | 121,000 | 76,391 |
| 9) Personnel expenses: | | |
| a) wages and salaries | 2,262,950 | 1,258,626 |
| b) social security contributions | 397,920 | 276,191 |

| | | |
|---|--------------------|---------------------|
| c) employees' leaving entitlement | 120,342 | 94,271 |
| e) other costs | 21,374 | 0 |
| 10) Amortisation, depreciation and write-downs: | | |
| a) amortisation of intangible | | |
| fixed assets | 1,743,096 | 758,770 |
| 14) Other operating costs | 15,229 | 284,074 |
| Total production cost | <u>14,890,497</u> | <u>10,396,780</u> |
| Operating loss | <u>(5,911,769)</u> | <u>(5,419,577)</u> |
| (C) Financial income and charges | | |
| 15) Income from investments: | | |
| in subsidiaries | | |
| a) dividends | 28,824,071 | 30,467,704 |
| c) from the sale of investment | 0 | 0 |
| 16) Other financial income: | | |
| d) other income | 4,817 | 21,161 |
| - interest from subsidiaries | 2,816,627 | 196,392 |
| 17) Interest and other financial charges: | | |
| - interest to subsidiaries | (1,247,636) | (656,515) |
| - interest to the ultimate parent | (16,751) | 0 |
| - other | (15,024,149) | (8,704,592) |
| 17-bis) Net exchange rate losses | (1,263,914) | (935,236) |
| Net financial income | <u>14,093,065</u> | <u>20,388,914</u> |
| (D) Adjustments to financial assets | | |
| 19) Write-downs: | | |
| a) investments | <u>(5,379,223)</u> | <u>(13,362,616)</u> |

| | | |
|--|--------------------|---------------------|
| Total adjustments to financial assets | <u>(5,379,223)</u> | <u>(13,362,616)</u> |
| (E) Extraordinary income and expense | | |
| 20) Income | | |
| - Euro rounding | 0 | 2 |
| 21) Expense | | |
| - taxes relative to prior years | (367) | (36,238) |
| - other | <u>(500,000)</u> | <u>0</u> |
| Net extraordinary expense | <u>(500,367)</u> | <u>(36,236)</u> |
| Pre-tax profit | 2,301,706 | 1,570,485 |
| 22) Income taxes, | | |
| current taxes, deferred tax income and | | |
| expense | 266,547 | 241,996 |
| - income due to participation in the | | |
| national tax consolidation scheme | <u>4,732,242</u> | <u>3,673,993</u> |
| 23) Net profit for the year | <u>7,300,495</u> | <u>5,486,474</u> |

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(in thousands of Euros)

COMPANY PROFILE, BUSINESS ACTIVITIES AND EVENTS OF THE YEAR

Coesia S.p.A. is the holding company of an industrial group. Its subsidiaries' core business relates to the design, construction and sale of automated packing and packaging machinery (for the tobacco, food, pharmaceutical, cosmetics, nappy and consumer goods segments), gears on behalf of third parties, in-line printing and control equipment for the pharmaceutical machinery segment and in the design, development and sale of manufacturing logistics solutions, as well as aseptic packaging of liquids in multi-layer carton for the food and beverage industry.

Reference should be made to the directors' report for comments on the activities carried out in 2013.

FORMAT AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements have been prepared in accordance with the provisions of the Italian Civil Code. They are comprised of the balance sheet (prepared using the formats provided for by articles 2424 and 2424-bis of the Italian Civil Code), the profit and loss account (prepared using the format provided for by articles 2425 and 2425-bis of the Italian Civil Code) and these notes. They are accompanied by the directors' report.

The purpose of the notes is to illustrate, analyse and, in certain cases, integrate separate financial statements figures, in addition to providing the information required by article 2427 of the Italian Civil Code. Furthermore, the notes provide all information considered necessary to give a true and fair view of the company's accounts, even if not specifically required by the law.

The law has been interpreted and integrated, where necessary, based on the accounting standards promulgated by the Italian Accounting Standard Setter (*Organismo Italiano di Contabilità*).

ACCOUNTING POLICIES

In accordance with article 2426 of the Italian Civil Code, the most significant accounting policies applied in the preparation of the separate financial statements as at and for the year ended 31 December 2013, which are consistent with the policies applied in the preparation of the separate financial statements of the previous year and approved by the board of statutory auditors, where required by law, are described below.

a) Intangible fixed assets are stated at purchase cost, including related charges, and are amortised on a straight-line basis in line with their future income generating potential.

b) Financial fixed assets are investments acquired upon the merger of CSII Industrie S.p.A. in 2003, and those acquired and established in following years. They are stated at acquisition or subscription cost, including any related charges, in some cases adjusted pursuant to Law no. 72/83. Furthermore, the consequent goodwill arising on the above-mentioned merger has been allocated to the value of the investments in G.D S.p.A. and Cima S.p.A.. This allocation reflects the measurement of consolidated net equity and goodwill of CSII Industrie group at the acquisition date.

The cost is written down to reflect impairment if the investees have incurred losses and profits large enough to absorb those losses are not forecast in the immediate future. If the reasons for the write-down no longer exist, the original value is reinstated in subsequent years.

- c)** Receivables are stated at their estimated realisable value.
- d)** Prepayments and accrued income, accrued expenses and deferred income include costs and revenues relating to two or more years recognised on an accruals basis of accounting.
- e)** Liquid funds are stated at their nominal value.
- f)** Employees' leaving entitlement is provided for to cover the entire liability accrued to employees, in accordance with current legislation, national labour contracts and company agreements. This liability is indexed.
- g)** Payables are stated at nominal value, which is considered indicative of their settlement amount.
- h)** Costs and revenues are determined in accordance with the principles of prudence and accruals basis of accounting.
- i)** Dividends are recognised on an accruals basis in the year in which the related profits accrue ("accrued" method) and, in any case, only if the resolutions of the subsidiaries' board of directors approving the draft financial statements and dividend distribution have been taken before the resolution of the parent's board of directors approving the draft financial statements.
- l)** Commitments and guarantees given are stated in the memorandum and contingency accounts at their contractual value.
- m)** Financial derivative contracts related to interest or exchange rate trends taken out for trading purposes are recognised at year-end market value. Derivatives used to hedge the fluctuations in interest rates are measured in line with the hedged liabilities. The difference between the interest rates of the derivatives and the underlying financing/lease arrangements is taken to the profit and loss account on an accruals basis. Options taken out to hedge foreign

currency receivables and payables stated in the financial statements are recognised based on the exchange rates ruling at year end. Exchange rate gains and losses on options taken out to hedge specific contractual commitments are deferred and recognised as adjustments to the revenue/cost of the related asset.

n) Income taxes are calculated based on taxable profit in accordance with current regulations, considering applicable exemption and tax receivables. Furthermore, deferred tax assets and liabilities have been recognised on the temporary differences between the carrying amounts stated in the balance sheet and the related amounts recognised for tax purposes. In particular, deferred tax assets are recognised when it is reasonably certain that there will be future taxable profits against which the deferred tax assets may be used. In 2011, the company opted to apply the national tax consolidation scheme for three years whereby the ultimate parent Is.Co. S.r.l. is the consolidating entity, as is detailed in the note to receivables from subsidiaries.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Receivables and payables arising on transactions in foreign currency are stated at the exchange rates ruling on the date when those transactions were performed. Exchange rate differences are taken to the profit and loss account when realised. At year end, receivables and payables in foreign currency are translated at the exchange rates ruling at the balance sheet date. Exchange rate gains and losses are taken to the profit and loss account. Any unrealised net gains are recognised in the specific unavailable reserve until realisation. Tangible, intangible and financial fixed assets, comprised of investments, recognised at cost in foreign currency are translated at the exchange rate ruling

at the purchase date or, if lower, the exchange rate ruling at year end, if the difference is considered permanent.

OTHER INFORMATION

Waivers under article 2423.4 of the Italian Civil Code.

The company did not avail of any of the waivers under article 2423.4 of the Italian Civil Code.

Presentation of figures

The amounts disclosed in these notes relating to the company's financial position and results of operations are given in thousands of Euros for a clearer presentation.

Independent auditors' fees

Pursuant to article 2427 of the Italian Civil Code, the table below shows the fees paid by Coesia S.p.A. and group companies to the independent auditors and their network, for audit engagements and other services, set out by type or category (in thousands of Euros).

| <u>Service type</u> | <u>Service provider</u> | <u>Beneficiary</u> | <u>Fees</u> |
|----------------------------|-------------------------|--------------------|--------------|
| Audit | KPMG S.p.A. | Coesia S.p.A. | 40 |
| Other attestation services | KPMG S.p.A. | Coesia S.p.A. | 9 |
| Other services | KPMG S.p.A. | Coesia S.p.A. | 185 |
| Other services | KPMG network | Coesia S.p.A. | |
| Total Coesia S.p.A. | | | 234 |
| Audit | KPMG S.p.A. | Subsidiaries | 230 |
| Audit | KPMG network | Subsidiaries | 758 |
| Other attestation services | KPMG S.p.A. | Subsidiaries | 14 |
| Other attestation services | KPMG network | Subsidiaries | 3 |
| Tax services | KPMG network | Subsidiaries | 15 |
| Total subsidiaries | | | 1,020 |
| Total | | | 1,254 |

ASSETS AND LIABILITIES

FIXED ASSETS

Specific statements have been prepared for the two categories of fixed assets (intangible and financial fixed assets), which are attached to these notes. The statements indicate historical cost, accumulated amortisation and depreciation, write-backs and write-downs, changes during the year, closing balances and total revaluations at the balance sheet date.

Other intangible fixed assets of €4,323 thousand refer to charges related to loans and borrowings described further on under bank loans and borrowings.

These charges are amortised over the term of the related loans.

FINANCIAL FIXED ASSETS

Financial fixed assets refer to investments in the following subsidiaries (in thousands of Euros):

| | <u>% of</u> | <u>31/12/13</u> | <u>31/12/12</u> |
|-------------------------|---------------------|-----------------------|-----------------------|
| | <u>ownership at</u> | | |
| | <u>31/12/2013</u> | | |
| Subsidiaries: | | | |
| G.D S.p.A. | 100% | 245,344 | 245,344 |
| CIMA S.p.A. | 100% | 22,000 | 22,000 |
| ACMA S.p.A. | 100% | 3,921 | 0 |
| GDM S.p.A. | 100% | 6,330 | 6,330 |
| MONTALE 164 S.p.A. | 100% | 137 | 137 |
| VOLPAK S.A. | 100% | 14,706 | 14,706 |
| GROUP SERVICE S.r.l. | 100% | 29 | 29 |
| LAETUS GMBH | 100% | 3,527 | 3,527 |
| LAETUS MEXICO | 100% | 3 | 3 |
| HAPA AG | 100% | 16,316 | 16,316 |
| GD TEKNIK HIZMETLER | 0.005% | 0 | 0 |
| NORDEN MACHINERY AB | 100% | 35,813 | 35,813 |
| A & C S.p.A. | 100% | 120 | 120 |
| 4S ENGINEERING S.r.l. | 80% | 16 | 16 |
| FLEXLINK HOLDING AB | 100% | 153,358 | 161,875 |
| COESIA INDIA PRIVATE L. | 7.4% | 370 | 370 |
| R.A. JONES & CO. INC. | 100% | 166,394 | 162,765 |
| IPI S.r.l. | 100% | <u>37,216</u> | <u>0</u> |
| TOTAL | | <u>705,600</u> | <u>669,351</u> |

The changes which took place with respect to the previous year are attributable

to:

- the capital injection of €3,629 thousand (USD5 million) to R.A Jones & Co to acquire and concurrently merge Coesia Health & Beauty Inc., a US-based Coesia group company, with effect as from 1 January 2014;
- the acquisition of the wholly-owned subsidiary IPI S.r.l., the parent of IPI group, a global provider of integrated solutions for aseptic packaging of liquids in multi-layer carton for the food and beverage industry. The carrying amount of the investment in IPI S.r.l. includes €9,000, which will be paid in two equal instalments in 2014 and 2015, within one month of the approval of the financial statements by the same company's shareholders. This payable has been recognised under Other payables;
- the carrying amount of the investment in R.A. Jones & Co includes €10,000 thousand deposited in a bank account jointly held by the company and the seller to guarantee any damages that have been provided for by contract. 50% of this amount was to be paid to the seller by 12 December 2013 and the remaining 50% by 12 June 2014 net of any damages provided for by contract. The first payment was not made as the seller was sent claims for damages, which are currently being determined;
- the recapitalisation of the subsidiary Acma S.p.A. (€13,363) to cover the net loss for the previous year and reconstitute share capital to €9,300 thousand and the write-down of impairment due to the net loss for 2013, totalling €5,379 thousand;
- Flexlink Holding AB refunded the reserve for future capital increase (€8,518 thousand) which was carried out at the time of acquisition.

Sirius Machinery AB changed its name to Norden Machinery AB following the

reverse merger into the latter and Flexlink System AB merged into Flexlink Components AB, which is wholly owned by Flexlink Holding AB and which changed its name to Flexlink AB.

The information about each subsidiary required by article 2427.5 of the Italian Civil Code is provided in the list attached to these financial statements (Annex IV). Figures included in the annexes are taken from the financial statements at 31 December 2013 or draft financial statements at the same date, approved by the respective company bodies. The difference between the carrying amount of Acma S.p.A. and its measurement using the equity method is not considered as an impairment loss as it is substantially generated by the amortisation of goodwill of the subsidiary Tecnomeccanica S.r.l., whose results are expected to reabsorb such difference. It is also generated by the different treatment of research and development costs (expensed for the measurement using the equity method and capitalised in the financial statements of Tecnomeccanica S.r.l.).

The difference between the carrying amounts of Norden Machinery AB, Laetus GmbH, Hapa AG and R.A Jones & Co. and their respective net equities are not deemed impairment losses as they are mainly generated by the amortisation of goodwill, and also by translation differences for R.A Jones & Co.. These differences are nonetheless considered recoverable given the profit forecasts of Norden Machinery group, Laetus GmbH, Hapa AG and R.A Jones & Co..

Finally, the negative difference related to Coesia India Private Ltd. should not be considered an impairment loss considering the company's forecast profits.

Had investments in direct and indirect subsidiaries and associates included as fixed assets been measured using the equity method, in application of the

requirements of article 2426.4 of the Italian Civil Code, the net profit for the year and net equity at 31 December 2013 would have been the same as the corresponding consolidated financial statements figures at that date, to which reference should be made for further details. The statement analysing changes in investments attached to these notes (Annex II), in accordance with article 10 of Law no. 72/83 indicates assets at year end which have been revalued in previous years under specific laws.

CURRENT ASSETS

RECEIVABLES

From subsidiaries

This caption includes receivables that are not classified as fixed assets relating to the recharging of services and service costs provided to direct and indirect subsidiaries, summarised in Annex V to these notes. The change on the previous year mainly relates to the translation difference and the subsidiary R.A Jones & Co. Inc.'s partial repayment (€12,954) of a loan amounting to an original amount of USD75 million (outstanding payable of €44,250 at 31 December 2013 and €56,844 at 31 December 2012). The loan granted in December 2012 at market rates provides for the half-year payment of interest and repayment of principal in a lump sum in December 2018, with the possibility of early repayment without penalties. Furthermore, this caption also mainly consists of receivables for the recharging of costs and services to the subsidiaries and, in particular, to G.D S.p.A., R.A Jones & Co Inc. and Acma S.p.A..

Receivables from the ultimate parent

The company has opted to apply, as a consolidated company, the national tax consolidation scheme pursuant to articles 117-129 of the Consolidated Direct Tax Act approved with Presidential decree no. 917 of 22 December 1986 resulting from the changes introduced by Legislative decree no. 344 of 12 December 2003 (Consolidated Income Tax Act) and following provisions. Therefore, this caption includes tax receivables of €5,580 thousand due from the consolidating entity IS.CO S.r.l..

Tax receivables

This caption includes a VAT receivable of €941 thousand.

Deferred tax assets

This caption relates to deferred tax assets of €509 thousand, calculated on unrealised exchange rate differences on foreign currency receivables and payables.

Receivables from others

This caption mainly includes advances to service providers.

Liquid funds

This caption is composed as follows (in thousands of Euros):

| | Balance at | |
|-----------------------------------|---------------------|---------------------|
| | <u>31/12/13</u> | <u>31/12/12</u> |
| Bank and postal accounts | 7,723 | 1,754 |
| Cash-in-hand and cash equivalents | <u>3</u> | <u>2</u> |
| Total | <u><u>7,726</u></u> | <u><u>1,756</u></u> |

The change in liquid funds is detailed in the annexed cash flow statement.

NET EQUITY

Changes in net equity, which consist of the allocation of the net profit for the previous year, are described in Annex III, while Annex VI details net equity captions pursuant to article 2427.7-bis of the Italian Civil Code. Pursuant to article 2427.18/19 of the Italian Civil Code, at 31 December 2013, the company had not issued any dividend-right shares, bonds convertible into shares or other financial instruments offering holders equity or participation rights.

SHARE CAPITAL

At 31 December 2013, fully subscribed and paid-up share capital consist of 125 million ordinary shares with a nominal value of €1 each.

RESERVES

The legal and extraordinary reserves increased due to the allocation of part of the net profit for 2012, as per the shareholders' resolution during their ordinary meeting of 23 April 2013.

In addition, dividends of €16 million were distributed, in accordance with the resolution passed by shareholders during the ordinary meeting on 29 October 2013.

PROVISIONS FOR RISKS AND CHARGES

This caption includes provisions for risks and charges set up in previous years against contingent liabilities.

The decrease in the year is due to the release of the €4,062 thousand accrual to the provision to cover losses of investees recognised in the previous year to cover the subsidiary Acma S.p.A.'s net loss for 2012, following injections on 18 and 19 April 2013.

EMPLOYEES' LEAVING ENTITLEMENT

Changes during the year are as follows (in thousands of Euros):

| | |
|----------------------|--------------|
| Balance at 31/12/12 | 93 |
| Accrual for the year | 120 |
| Utilisation | <u>(134)</u> |
| Balance at 31/12/13 | <u>79</u> |

Following the pension reform introduced with effect from 1 July 2007, accruing employees' leaving entitlement is transferred to INPS (the Italian social security institution) pension funds, sector funds or authorised private funds depending on the employee's choice. However, employees' leaving entitlement already accrued when the employee made the decision remains with the company and is revalued annually.

PAYABLES

Bonds and payables to the ultimate parent

In accordance with the resolution taken on 14 April 2011 by the bondholders during their meeting and the shareholders during their extraordinary meeting, the repayment of the €100 million bond issue was postponed to 30 June 2018. The company has the right to redeem a portion or all of the outstanding bonds in advance once the eighteenth month and a day from issue have passed, following the resolution of the shareholders during an ordinary meeting. The parent Coesia S.p.A. may not exercise this option until the loans totalling €335 million obtained to finance the purchases of Flexlink group, R.A Jones & Co. and IPI S.r.l., described below in the note to bank loans and borrowings, have been repaid, pursuant to contractual undertakings. This bond, signed by the majority shareholder, accrues interest at an annual rate of 4.5% and interest is

payable on 30 June of each year for the term of the issue beginning in 2007.

Shareholder loans

This caption refers to the company's 12-month loan from the ultimate parent Is.Co S.r.l., totalling €10,000 thousand. The ultimate parent granted these loans on 2 December 2013. Interest accrues quarterly at a market rate.

Bank loans and borrowings

These are detailed below:

| Type | Due within one year | Due from one to five years | Due after five years | Balance at 31/12/13 | Balance at 31/12/12 |
|--|------------------------------|--|-------------------------------|---------------------------|---------------------------|
| Loans | 6,830 | 0 | 0 | 6,830 | 15,739 |
| Financing | 10,000 | 205,000 | 0 | 215,000 | 347,000 |
| Committed revolving credit facilities | 0 | 120,000 | 0 | 120,000 | 0 |
| Total | 16,830 | 325,000 | 0 | 341,830 | 362,739 |

(in thousands of Euros)

In July 2013, Coesia completed a partial debt restructuring process for credit lines and loans granted in 2012 by leading Italian banks to finance the acquisitions of Flexlink group, R.A Jones & Co. Inc. and, most recently, IPI S.r.l.. This process entailed the partial rescheduling of due dates, which were postponed to 2018.

Accordingly, at 31 December 2013, bank loans and borrowings due after one year amount to €325 million, €120 million of which due in October 2018 and €205 million in October 2015.

The loans falling due in October 2015 of €205 million provide for a 24-month grace period and half-yearly repayments. They were granted on 10 December 2012 at market rates to finance the acquisition of R.A Jones & Co Inc., along with the 18-month bullet loan of €10 million, classified in bank loans and borrowings due within one year.

Interest risk hedges have been agreed on these loans, as detailed in the note to the memorandum and contingency accounts.

The loans falling due in October 2018 of €120 million are committed revolving credit facilities with periodic repayment options defined when they are drawn down. They are granted at market rates. When repayment of the drawdown is due, the company has the power to renew the drawdown until October 2018.

Bank loans and borrowings due within one year amount to €17 million. This caption refers to the 18-month bullet loan described above (€10 million) and the outstanding amount (€7 million) of the loan agreed with Unicredit on 1 July 2009 to finance the acquisition of Norden group (formerly Sirius group, which was renamed after the merger described above in the note to Financial fixed assets). The loan falls due on 31 July 2014 and provides for quarterly repayments beginning on 31 October 2010 and the possibility of early repayment without penalties.

Such loans accrue interest at market rates and are subject to covenants based on the group's consolidated financial statements which have been respected at 31 December 2013.

Since 30 June 2013, the covenants will be checked by the banks on a half-yearly basis.

Trade payables

This caption decreased by €472 thousand on the previous year, due to the different timing of expense and payment orders.

Payables to subsidiaries

This caption includes payables to direct and indirect subsidiaries, which are summarised in “Annex V” to these notes and mainly relate to the recharging of costs and services received from the subsidiary G.D S.p.A. and loans from the subsidiary G.D S.p.A. (€72,662 million), the subsidiary Volpak (€6,500 thousand) and the indirect subsidiary Nuove Iniziative Industriali S.r.l. (€6,585 thousand), on which interest accrues at a market rate. Furthermore, as per the resolution of 10 December 2013, this caption includes the €3,629 thousand payable for the company's commitment with R.A Jones & Co. to perform a capital injection for a future capital increase, as described above.

Payables to the ultimate parent

This caption includes the payable to the ultimate parent IS.CO S.r.l. for a 12-month loan of €10 million granted in December 2013, and €16 thousand in interest on the same loan, which accrues at a market rate.

Tax payables

This caption is comprised as follows (in thousands of Euros):

| | <u>31/12/13</u> | <u>31/12/12</u> |
|-----------------------------|-----------------|-----------------|
| Withholdings on employees, | 412 | 540 |
| freelancers and consultants | _____ | _____ |
| Total | <u>412</u> | <u>540</u> |

The years from 2009 on are still open to inspection by the tax authorities for direct tax and VAT purposes. Company management does not believe that the years open to inspection will lead to any significant liabilities not recognised in

the financial statements.

Social security charges payable

This caption mainly relates to payables due to social security institutions for contributions relating to December remuneration amounting to €68 thousand.

Other payables

This caption mainly includes payables for employee remuneration of €470 thousand and the residual payable of €9,000 thousand that Coesia S.p.A. owes for the acquisition of IPI S.r.l. totalling €9,000 thousand and due in two instalments of €4,500 thousand each within one month of the approval of the 2013 and 2014 financial statements by the subsidiary's shareholders, respectively, and, in any case, not after 30 June 2014 and 2015, respectively.

ACCRUED EXPENSES AND DEFERRED INCOME

This caption includes accrued interest expense of €2,250 thousand on the bond described above and accrued interest expense of €1 million on bank loans described above.

MEMORANDUM AND CONTINGENCY ACCOUNTS

This caption mainly consists of financial or trade guarantees given in favour of group companies, totalling €500 thousand.

Pursuant to article 2427-bis of the Italian Civil Code, at 31 December 2013, there are three interest rate swaps in place with Mediobanca, BNL and Unicredit, agreed on 21 December 2012 in relation to the acquisition of the subsidiary R.A Jones & Co. Inc.:

- Mediobanca: a swap with decreasing notional value, totalling €25,000 thousand at 31 December 2013, starting from 11 March 2013 and expiring on

26 October 2015. The swap provides for the quarterly payment/collection of the difference between the 3-month Euribor and fixed rate of 0.37%.

- BNL: a swap with decreasing notional value, totalling €70,000 thousand at 31 December 2013, starting from 11 March 2013 and expiring on 26 October 2015. The swap provides for the quarterly payment/collection of the difference between the 3-month Euribor and the fixed rate of 0.38%.
- Unicredit: a swap with decreasing notional value, totalling €55,000 thousand at 31 December 2013, starting from 10 June 2013 and expiring on 26 October 2015. The swap provides for the six-monthly payment/collection of the difference between the 6-month Euribor and the fixed rate of 0.5670%.

The fair value loss of these transactions at 31 December 2013 is approximately €168 thousand, which has not been recognised since they are hedges.

PROFIT AND LOSS ACCOUNT

PRODUCTION REVENUES

This caption mainly relates to the recharging of services and service costs on an arm's length basis to the subsidiaries listed in "Annex V".

PRODUCTION COST

This caption is mainly comprised of Services totalling €10,209 thousand (2012: €7,648 thousand), principally for directors' fees (€1,896 thousand), statutory auditors' fees (€110 thousand), consultancy services (€3,546 thousand), legal and notary fees (€186 thousand), management and control activities (€120 thousand), trade fairs (€66 thousand), employee travel expenses (€156 thousand), sundry insurance (€35 thousand), advertising (€141 thousand), entertainment (€108 thousand), travel (€41 thousand), services from providers (€18 thousand), bank expenses (€47 thousand) and freelancers' expenses

(€137 thousand). It also includes costs of €3,360 thousand to be recharged to the group companies as detailed in Annex V (other revenues), which also details service cost recharges relating to subsidiaries.

Personnel expenses

Personnel expenses are comprised as follows (in thousands of Euros):

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|--------------|--------------|
| Wages and salaries | 2,263 | 1,259 |
| Social security contributions | 398 | 276 |
| Employees' leaving entitlement | 120 | 94 |
| Scholarships | 21 | 0 |
| Total | <u>2,802</u> | <u>1,629</u> |

The changes recorded during the year in relation to the number of employees by category are shown below:

| | 31/12/13 | 31/12/12 | Average |
|---------------|----------|----------|----------|
| Management | 5 | 4 | 5 |
| White collars | 4 | 4 | 4 |
| Total | <u>9</u> | <u>8</u> | <u>9</u> |

FINANCIAL INCOME AND CHARGES

INCOME FROM INVESTMENTS

This caption includes dividends approved and collected in the year from the subsidiaries G.D S.p.A. (€20 million), Volpak S.A. (€ 2.5 million), HAPA AG (€4.8 million) and Flexlink AB (€1.5 million).

OTHER FINANCIAL INCOME

This caption includes bank interest income (€5 thousand) and interest income

on the loan granted to the subsidiary R.A Jones & Co. (€2,817 thousand).

INTEREST AND OTHER FINANCIAL CHARGES

This caption includes interest expense of €4,500 thousand on the bond, bank interest expense of €10,525 thousand on loans and credit facilities. Furthermore, this caption includes interest expense on loans from the subsidiary G.D S.p.A. (€1,116 thousand), the subsidiary Volpak S.A. (€40 thousand), the indirect subsidiary Nuove Iniziative Industriali S.r.l. (€91 thousand) and the ultimate parent IS.CO S.r.l. (€17 thousand).

EXCHANGE RATE GAINS AND LOSSES

This caption mainly comprises exchange rate losses on the loan in US dollars granted to the subsidiary R.A Jones & Co. following its measurement at the year-end exchange rate, as discussed above.

ADJUSTMENTS TO FINANCIAL ASSETS

WRITE-DOWNS OF INVESTMENTS

This caption includes the write-down of the carrying amount of Acma S.p.A. for impairment described in the note to financial fixed assets, equal to the net loss for 2013 of €5,379 thousand.

EXTRAORDINARY INCOME AND EXPENSE

EXTRAORDINARY EXPENSE

This caption mainly refers to the payment of €500 thousand for the MAST Foundation's endowment.

INCOME TAXES

This caption is comprised of income of €4,732 thousand arising from the adoption of the national tax consolidation scheme described earlier on and deferred tax income of €267 thousand. The difference between the pre-tax profit

and tax loss for the year is mainly due to the fact that 95% of the dividends were not subject to taxation, to the write-downs of investments under the Italian “participation exemption” regime and to the non-deductible portion of unrealised exchange rate losses.

ANNEXES

These annexes are an integral part of these notes. Their purpose is to provide additional information.

The following information is included in these annexes:

- ◆ Statement of changes in intangible fixed assets at 31 December 2013 (Annex I);
- ◆ Statement of changes in financial fixed assets at 31 December 2013 (Annex II);
- ◆ Statement of changes in net equity at 31 December 2013, 2012 and 2011 (Annex III);
- ◆ List of investments in subsidiaries and associates at 31 December 2013 as per article 2427.5 of the Italian Civil Code (Annex IV);
- ◆ Summary of related party transactions at 31 December 2013 (Annex V);
- ◆ Detail of net equity captions in accordance with article 2427.7-bis of the Italian Civil Code at 31 December 2013 (Annex VI);
- ◆ Cash flow statement for the year ended 31 December 2013 (Annex VII).

These financial statements provide a true and fair view and are consistent with the accounting records.

Bologna, 23 June 2014

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli

(signed on the original)

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS
 AT 31 DECEMBER 2013
 (in thousands of Euros)

Annex I

| | Balance at 31 December 2012 | | | Changes during the year | | | Balance at 31 December 2013 | | |
|--|-----------------------------|--------------------------|-----------------|-------------------------|----------|------------------|-----------------------------|--------------------------|-----------------|
| | Historical cost | Accumulated amortisation | Carrying amount | Increase | Decrease | Amortisation | Historical cost | Accumulated amortisation | Carrying amount |
| Intangible fixed assets: | | | | | | | | | |
| Concessions, licences, trademarks and similar rights | 29.5 | (18.5) | 11.0 | 321 | | (109.8) | 350.5 | (128.4) | 222.1 |
| Deferred charges | 4,132 | (850.4) | 3,281.6 | 2,675 | | (1,633.3) | 6,807 | (2,483.6) | 4,323.4 |
| Assets under development | | | | 88.2 | | 0.0 | 88.2 | 0.0 | 88.2 |
| Total intangible fixed assets | 4,161.5 | (868.9) | 3,292.6 | 3,084.2 | | (1,743.1) | 7,245.7 | (2,612.0) | 4,633.7 |

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

AT 31 DECEMBER 2013

(in thousands of Euros)

| | Balance at 31 December 2012 | | | | | | Balance at 31 December 2013 | | | | | |
|---|-----------------------------|-----------------|-----------------------------------|----------------|---------------|----------------|-----------------------------|-----------------|-----------------|----------|-----------------------------------|----------------|
| | Historical cost | Write-downs | Revaluations as per Law no. 72/83 | Balance | Increase | Decrease | Write-downs/ write-backs | Historical cost | Write-downs | Merger | Revaluations as per Law no. 72/83 | Balance |
| Investments | | | | | | | | | | | | |
| <u>Subsidiaries measured at cost:</u> | | | | | | | | | | | | |
| G.D S.p.A. | 243,966 | | 1,378 | 245,344 | | | | 243,966 | | | 1,378 | 245,344 |
| ACMA S.p.A. | 35,368 | (35,368) | | 0 | 9,300 | | (5,379) | 44,668 | (40,747) | | | 3,921 |
| CIMA S.p.A. | 22,000 | | | 22,000 | | | | 22,000 | | | | 22,000 |
| GDM S.p.A. | 7,123 | (793) | | 6,330 | | | | 7,123 | (793) | | | 6,330 |
| MONTALE 164 S.p.A. | 9,108 | (8,971) | | 137 | | | | 9,108 | (8,971) | | | 137 |
| Volpak SA | 14,706 | | | 14,706 | | | | 14,706 | | | | 14,706 |
| Group Service S.r.l. | 600 | (571) | | 29 | | | | 600 | (571) | | | 29 |
| Laetus Italia S.r.l. | 0 | | | 0 | | | | 0 | | | | 0 |
| Laetus France Sarl | 0 | | | 0 | | | | 0 | | | | 0 |
| Laetus GmbH | 3,527 | | | 3,527 | | | | 3,527 | | | | 3,527 |
| Laetus Mexico S de RL | 3 | | | 3 | | | | 3 | | | | 3 |
| Hapa AG | 16,316 | | | 16,316 | | | | 16,316 | | | | 16,316 |
| GD Teknik Hizmetler ve Ticaret Ltd Sirketi NORDEN MACHINERY AB (formerly Sirius Machinery AB) | 0 | | | 0 | | | | 0 | | | | 0 |
| | 35,813 | | | 35,813 | | | | 35,813 | | | | 35,813 |
| A & C S.p.A. | 120 | | | 120 | | | | 120 | | | | 120 |
| 4S Engineering S.p.A. | 16 | | | 16 | | | | 16 | | | | 16 |
| Flexlink Holding AB | 161,876 | | | 161,876 | | (8,518) | | 153,358 | | | | 153,358 |
| Coesia India Private Limited | 370 | | | 370 | | | | 370 | | | | 370 |
| R.A JONES & CO | 162,764 | | | 162,764 | 3,630 | | | 166,394 | | | | 166,394 |
| IPI S.r.l. | | | | | 37,216 | | | 37,216 | | | | 37,216 |
| Total investments | 713,676 | (45,703) | 1,378 | 669,351 | 50,146 | (8,518) | (5,379) | 755,304 | (51,082) | 0 | 1,378 | 705,600 |

STATEMENT OF CHANGES IN NET EQUITY

AT 31 DECEMBER 2013, 2012 AND 2011

(in thousands of Euros)

| | SHARE CAPITAL | LEGAL RESERVE | OTHER RESERVES | | | | RETAINED EARNINGS (LOSSES CARRIED FORWARD) | NET PROFIT FOR THE YEAR | TOTAL NET EQUITY |
|---|------------------|------------------|----------------------|-----------------------------|--------------------------|---|--|----------------------------|---------------------|
| | | | NEGATIVE GOODWILL | AS PER LAW NO. 904/77 | EXTRAORDINARY RESERVE | CAPITAL INJECTION FOR FUTURE SHARE CAPITAL INCREASE | | | |
| Balance at 31 December 2010 | 125,000 | 10,687 | 0 | 0 | 68,524 | 0 | 0 | 14,787 | 218,998 |
| Ordinary shareholders' meeting of 27 May 2011 | | | | | | | | | |
| - legal reserve | | 739 | | | | | | (739) | |
| - extraordinary reserve | | | | | 14,048 | | | (14,048) | |
| Net profit for 2011 | | | | | | | | 4,137 | 4,137 |
| Balance at 31 December 2011 | 125,000 | 11,426 | 0 | 0 | 82,572 | 0 | 0 | 4,137 | 223,135 |
| Ordinary shareholders' meeting of 24 April 2012 | | | | | | | | | |
| - legal reserve | | 207 | | | | | | (207) | |
| - extraordinary reserve | | | | | 3,930 | | | (3,930) | |
| Net profit for 2012 | | | | | | | | 5,486 | 5,486 |
| Balance at 31 December 2012 | 125,000 | 11,633 | 0 | 0 | 86,502 | 0 | 0 | 5,486 | 228,621 |
| Ordinary shareholders' meeting of 23 April 2013 | | | | | | | | | |
| - legal reserve | | 274 | | | | | | (274) | |
| - extraordinary reserve | | | | | 5,212 | | | (5,212) | |
| Ordinary shareholders' meeting of 29 October 2013 | | | | | | | | | |
| - distribution of dividends | | | | | (16,000) | | | | (16,000) |
| Net profit for 2013 | | | | | | | | 7,301 | 7,301 |
| Balance at 31 December 2013 | 125,000 | 11,907 | 0 | 0 | 75,714 | 0 | 0 | 7,301 | 219,922 |

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AT 31 DECEMBER 2013 (ARTICLE 2427.5 OF THE ITALIAN CIVIL CODE)

| COMPANY | % OF OWNERSHIP | REGISTERED OFFICE | SHARE/QUOTA CAPITAL | NET EQUITY | | NET PROFIT FOR THE YEAR | | Measured using the equity method as per article 2426.4 of the Italian Civil Code | CARRYING AMOUNT | PROVISION TO COVER LOSSES | DIFFERENCE |
|--|----------------|-------------------------------|---------------------|--------------|----------------------|-------------------------|----------------------|--|-----------------|---------------------------|------------|
| | | | | TOTAL AMOUNT | PROPORTIONATE AMOUNT | TOTAL AMOUNT | PROPORTIONATE AMOUNT | | | | |
| | | | | | | | | A | B | C | A - B - C |
| SUBSIDIARIES | | | | | | | | | | | |
| G.D S.p.A. | 100.00% | Bologna | €4,000 thousand | 414,211 | 414,211 | 93,953 | 93,953 | 468,606 | 245,344 | | 223,262 |
| ACMA S.p.A. | 100.00% | Bologna | €9,300 thousand | 3,921 | 3,921 | (5,379) | (5,379) | (555) | 3,921 | | (4,476) |
| CIMA S.p.A. | 100.00% | Villanova (Bologna) | €4,810 thousand | 19,632 | 19,632 | 189 | 189 | 22,004 | 22,000 | | 4 |
| GDM S.p.A. | 100.00% | Bologna | €1,500 thousand | 10,762 | 10,762 | 2,387 | 2,387 | 15,074 | 6,330 | | 8,744 |
| MONTALE 164 S.p.A. | 100.00% | Piacenza | €1,800 thousand | 141 | 141 | 8 | 8 | 134 | 137 | | 4 |
| VOLPAK S.A. | 100.00% | Barcelona (Spain) | €9,200 thousand | 34,812 | 34,812 | 7,985 | 7,985 | 34,812 | 14,706 | | 20,106 |
| GROUP SERVICE S.r.l. | 100.00% | Bologna | €50 thousand | 396 | 396 | 125 | 125 | 396 | 29 | | 367 |
| LAETUS GMBH | 100.00% | Halsbach - Hahnlein (Germany) | €25 thousand | 4,555 | 4,555 | (1,885) | (1,885) | 2,762 | 3,527 | | (765) |
| LAETUS MEXICO | 100.00% | Mexico City (Mexico) | MXN322,500 | 693 | 693 | (127) | (127) | 693 | 3 | | 690 |
| HAPA AG | 100.00% | (Switzerland) | CHF1,000,000 | 8,494 | 8,494 | 3,094 | 3,094 | 11,140 | 16,316 | | (5,176) |
| NORDEN MACHINERY AB (formerly Sirius Machinery AB) | 100.00% | Stockholm (Sweden) | SEK112,000 | 23,539 | 23,539 | 5,065 | 5,065 | 32,181 | 35,813 | | (3,632) |
| GD Teknik Hizmetler ve Ticaret Ltd A & C S.p.A. | 0.01% | Izmir (Turkey) | TRY500,000 | 3,260 | 0 | 396 | 0 | 0 | 0 | | 0 |
| 4S Engineering S.p.A. | 100.00% | Bologna | €120 thousand | 274 | 274 | (14) | (14) | 274 | 120 | | 154 |
| Flexlink Holding AB | 80.00% | Bologna | €20 thousand | 25 | 20 | 5 | 4 | 20 | 16 | | 4 |
| Coesia India Private Limited | 100.00% | Goteborg (Sweden) | SEK3,285,000 | 147,631 | 147,631 | 9,493 | 9,493 | 171,971 | 153,358 | | 18,613 |
| R.A JONES & CO | 7.40% | Pune (India) | INR521,291 | (398) | (29) | 180 | 13 | (29) | 370 | | (399) |
| IPI S.r.l. | 100.00% | Davenport (USA) | USD10 | 163,905 | 163,905 | 7,202 | 7,202 | 144,536 | 166,394 | | (21,858) |
| | 100.00% | Perugia (PG) | €13,000 thousand | 14,381 | 14,381 | (4,115) | (4,115) | 37,216 | 37,216 | | 0 |
| TOTAL SUBSIDIARIES | | | | 850,234 | 847,338 | 118,562 | 117,998 | 904,025 | 705,600 | 0 | 235,641 |

SUMMARY OF RELATED PARTY TRANSACTIONS
AT 31 DECEMBER 2013
(in thousands of Euros)

| | BALANCE SHEET | | | | PROFIT AND LOSS ACCOUNT | | | | OTHER REVENUES AND INCOME | FINANCIAL INCOME |
|--------------------------------------|---------------------------|-------------------------|-------------------|----------------|-------------------------|---------------------------|-------------------|---------------|---------------------------|------------------|
| | RECEIVABLES FOR DIVIDENDS | RECEIVABLES FROM OTHERS | TOTAL RECEIVABLES | PAYABLES | SERVICES | USE OF THIRD-PARTY ASSETS | FINANCIAL EXPENSE | DIVIDENDS | | |
| Ultimate parent | | | | | | | | | | |
| IS.CO S.r.l. | | 5,580 | 5,580 | 10,017 | | | | | 17 | |
| Direct subsidiaries | | | | | | | | | | |
| G.D S.p.A. | | 2,635 | 2,635 | 74,838 | 1,036 | 23 | 1,116 | 20,000 | 2,734 | |
| ACMA S.p.A. | | | 0 | | | | | | | 78 |
| CIMA S.p.A. | | 76 | 76 | | | | | | | 1,213 |
| ACMA S.p.A. | | 1,747 | 1,747 | 35 | 33 | | | | | 366 |
| GDM S.p.A. | | 374 | 374 | 5 | 5 | | | | | 368 |
| VOLPAK SA | | 342 | 342 | 6,543 | 3 | | | 2,500 | | 166 |
| HAPA AG | | 149 | 149 | | | | | 4,870 | | 81 |
| LAETUS GMBH | | 78 | 78 | | | | | | | 1,283 |
| R.A JONES & CO | | 46,483 | 46,483 | 3,632 | | | | | | 1,120 |
| FLEXLINK HOLDING AB | | 747 | 747 | | | | | 1,454 | | 2 |
| Montale 164 S.p.A. | | | | | | | | | | 383 |
| Norden Machinery AB | | 390 | 390 | 14 | | | | | | 632 |
| IPI S.r.l. | | 772 | 772 | | | | | | | 2 |
| A & C S.p.A. | | | | | | | | | | 6 |
| Group Service S.r.l. | | | | | | | | | | 27 |
| 4S ENGINEERING S.r.l. | | 3 | 3 | | | | | | | 1 |
| COESIA INDIA PRIVATE LIMITED | | 4 | 4 | | | | | | | 2 |
| Indirect subsidiaries | | | | | | | | | | 2 |
| G.D Industrie S.r.l. | | | | | | | | | | 2 |
| Nova Prefabbricati S.r.l. | | | | 6,656 | | | 91 | | | 2 |
| Nuove Iniziative Industriali | | | | | | | | | | 121 |
| CITUS KALIX | | 121 | 121 | | | | | | | 37 |
| ADMV S.A | | 40 | 40 | | | | | | | 3 |
| Lesina Autonoleggio S.r.l. | | | | 2 | 8 | | | | | 88 |
| SASIB S.p.A. | | 86 | 86 | 1 | 1 | | | | | 83 |
| SACMO SA | | 82 | 82 | | | | | | | 12 |
| Co.me.sca S.r.l. | | | | | | | | | | 7 |
| Flexlink Systems PTE LTD - Singapore | | | | 10 | 17 | | | | | 3 |
| Flexlink Systems S.p.A. | | | | 1 | 1 | | | | | 40 |
| COESIA Health & Beauty | | | | | | | | | | 7 |
| CTAI KIDS | | | | | | | | | | 3 |
| G.D. UK | | 41 | 41 | | | | | | | 69 |
| LAETU ITALY S.r.l. | | | | 1 | 1 | | | | | 1 |
| Laetus France SCARL | | 97 | 97 | | | | | | | 4 |
| GD USA | | 85 | 85 | | | | | | | 0 |
| G.D Japan | | | | | | | | | | 0 |
| G.D Do Brasil | | 33 | 33 | | | | | | | 0 |
| | | | 0 | | | | | | | 0 |
| | | | 0 | | | | | | | 0 |
| | | | 0 | | | | | | | 0 |
| TOTAL SUBSIDIARIES | 0 | 59,965 | 59,965 | 101,755 | 1,105 | 23 | 1,264 | 28,824 | 8,936 | 2,817 |

Annex VI

DETAIL OF NET EQUITY CAPTIONS IN ACCORDANCE WITH ARTICLE 2427.7-bis OF THE ITALIAN CIVIL CODE

AT 31 DECEMBER 2013 (in thousands of Euros)

| NATURE | AMOUNT | POSSIBILITY OF USE | PORTION AVAILABLE FOR DISTRIBUTION | PORTION TAXABLE ON DISTRIBUTION |
|---|---------|--------------------|------------------------------------|---------------------------------|
| SHARE CAPITAL | 125,000 | B | | 0 |
| Equity-related reserves: | | | | |
| Reserve for own shares | | | | |
| Reserve for shares or quotas of the ultimate parent | | | | |
| Share premium reserve | | | | |
| Reserve for conversion of bonds | | | | |
| Capital injection for future share capital increase | | | | |
| Income-related reserves: | | | | |
| Legal reserve | 11,907 | B | | 0 |
| Reserve for own shares | | | | |
| Translation reserve | | | | |
| Extraordinary reserve | 75,715 | A, B, C | 75,715 | 0 |
| Reserve as per waiver under article 2423.4 | | | | |
| Retained earnings (losses carried forward) | | | | 0 |
| TOTAL | | | 75,715 | |
| available portion | | | 75,715 | 0 |

Key:

A: For share capital increase

B: To cover losses

C: For dividend distribution

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013
(in thousands of Euros)

| | 2013 | 2012 |
|---|-----------------|-----------------|
| OPENING NET FINANCIAL POSITION (DEBT) | (27,158) | 42,402 |
| | | |
| CASH FLOWS GENERATED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net profit for the year | 7,300 | 5,486 |
| Amortisation of intangible fixed assets | 1,743 | 759 |
| Employees' leaving entitlement: | | |
| -accrual for the year | 120 | 94 |
| -payments | (135) | (80) |
| Change in other provisions for risks and charges | (4,062) | 4,062 |
| Write-downs of investments | 5,379 | 9,300 |
| Change in receivables | 5,115 | (60,932) |
| Change in payables | 71,648 | 39,486 |
| Net change in prepayments and accrued income and accrued expenses and deferred income | 488 | 426 |
| | <u>87,597</u> | <u>(19,999)</u> |
| | | |
| CASH FLOWS USED IN | | |
| INVESTING ACTIVITIES | | |
| Investments in intangible fixed assets, net of decreases | (3,084) | (3,714) |
| | <u>(3,084)</u> | <u>(3,714)</u> |
| | | |
| CASH FLOWS GENERATED BY (USED IN) | | |
| FINANCING ACTIVITIES | | |
| Change in and loans and borrowings from other financial backers and bank loans and borrowings | | |
| due after one year | (8,826) | 267,961 |
| Change in financial fixed assets | (41,633) | (323,108) |
| | <u>(50,459)</u> | <u>(45,847)</u> |
| | | |
| CASH FLOWS GENERATED (USED) DURING THE YEAR | <u>34,054</u> | <u>(69,560)</u> |
| Distribution of dividends | (16,000) | 0 |
| | | |
| CLOSING NET FINANCIAL DEBT | <u>(9,104)</u> | <u>(27,158)</u> |

APPENDIX II

Issuer's consolidated financial statements for the financial year ended at December 31, 2013



**(Translation from the Italian original which remains the
definitive version)**

COESIA Group

**Consolidated financial statements
as at and for the year ended
31 December 2013
(with report of the auditors thereon)**



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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
COESIA S.p.A.

- 1 We have audited the consolidated financial statements of the COESIA Group as at and for the year ended 31 December 2013. The parent's directors are responsible for drawing up these financial statements in accordance with the Italian regulations governing their preparation. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 23 April 2013 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes as required by law.
- 3 In our opinion, the consolidated financial statements of the COESIA Group as at and for the year ended 31 December 2013 comply with the Italian regulations governing their preparation. Therefore, they are clearly stated and give a true and fair view of the financial position and results of operations of the group as at and for the year ended 31 December 2013.
- 4 The directors of COESIA S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the consolidated financial statements of the COESIA Group as at and for the year ended 31 December 2013.

Bologna, 23 June 2014

KPMG S.p.A.

(signed on the original)

Rodolfo Curti
Director of Audit

(Translation from the Italian original which remains the definitive version)
COESIA S.p.A. - with registered office in Bologna (BO) - Via Battindarno 91

Tax code 02221441203 – Bologna Company Register

Fully paid-up share capital €125,000,000

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS' REPORT

Activities of the group companies

Coesia S.p.A. is the holding company of an industrial group. Its subsidiaries' core business relates to the design, construction and sale of (i) automated packing and packaging machinery for the tobacco, food, cosmetics, pharmaceutical, nappy and consumer goods segments (Advanced Automated Machinery), (ii) manufacturing logistics solutions and production control and in-line printing equipment (Industrial Process Solutions) and (iii) gears on behalf of third parties (Precision Gears).

In October 2013, Coesia S.p.A. acquired 100% of IPI S.r.l., one of the few companies operating worldwide in the supply of integrated solutions in the field of aseptic packaging of liquids in multi-layer carton for the food and beverage industry. With turnover of approximately €51 million, IPI group has roughly 140 employees and is active in 30 countries. For Coesia group, the acquisition of IPI is another step towards strengthening its position in the consumer goods packaging industry.

Coesia S.p.A. is the direct parent of the following companies operating in the various group businesses, i.e.:

- G.D S.p.A., with registered office in Bologna, is active in the field of automated

packing and packaging machinery for cigarettes and the tobacco industry in general. G.D S.p.A. controls a network of companies (in the USA, Brazil, Germany, United Kingdom, China, Japan, Singapore, Hong Kong, Indonesia, Russia, South Africa, South Korea and Turkey) that serve as its distribution and after-sales centres, as well as genuine production centres (in the USA, Brazil, Germany, Japan, Turkey and Indonesia); moreover G.D S.p.A. owns the 100% of Sasib S.p.A., with registered office in Castel Maggiore (Bologna), a company committed to the production of automated machinery for the tobacco industry with an high range of maker and packer lines installed in several market in the world and which allows to complete and integrate, also in the low speed segment, the lines of products that G.D S.p.A. offers to its clients.

- ACMA S.p.A., with registered office in Bologna, produces automated machinery for the food segment and consumer goods manufacturing in general;
- GDM S.p.A., with registered office in Offanengo (CR), is active in the field of automated nappy and sanitary napkin production machinery;
- VOLPAK S.A., with registered office in Barcelona (Spain), is active in the automated packaging machinery segment;
- NORDEN AB, with registered office in Kalmar (Sweden), which manufactures packaging and tube filling machines for the cosmetics and pharmaceutical industry, in addition to the related packing lines;
- CITUS KALIX SAS, with registered office in Evry (France), is part of Norden group and operates in the tube and lipstick packaging and filling machines for the cosmetics industry, in addition to the related packing lines;
- HAPA AG, with registered office in Zurich (Switzerland), is active in the in-line printing equipment segment for the production of the pharmaceutical industry;

- LAETUS GmbH, with registered office in Halsbach–Hahnlein (Germany), operates in the design, production and sale of production control equipment for the pharmaceutical machinery segment;
- CIMA S.p.A., with registered office in Bologna, operates as a subcontractor in the gearing field for the automotive (particularly racing), motorcycle, aeronautics and automated machinery segments;
- FLEXLINK, a Swedish group with registered office in Goteborg (Sweden), operates in the design, construction and sale of top-end manufacturing logistics solutions;
- R.A. JONES & CO. INC., based in Covington (Kentucky) in the United States, produces automated machinery for the food segment and for consumer goods manufacturing in general;
- IPI S.r.l., with registered office in Perugia, produces aseptic filler machines, package opening and closing systems and multi-layer packaging material using a combination of polyethylene, paper and aluminium sheets. IPI has two production sites in the Perugia area.

The economic situation

In 2013, the global economy showed signs of improvement and is slowly continuing on its path of moderate growth. In the year, US GDP rose 1.9% (+2.2% in 2012), while Eurozone GDP fell 0.4% (+0.4% in 2012). In Germany, it grew only 0.5% (versus 0.9% in 2012), whereas in Japan, it increased 1.7% (+1.6% in 2012). In emerging countries, economic activity slowed, although it remained at high levels. Chinese GDP grew 7.7%, compared to growth of roughly 7.5% in 2012, that of India it climbed 4.4%, compared to approximately 4.5% in 2012. According to the International Monetary Fund's most recent estimates, prospects for 2014, despite risks of decline, indicate a slight recovery in the global economy with expected growth of 3.7%, although the various economies are

expected to grow at disparate rates, boosted by the more advanced and industrialised economies, particularly the US, Germany and Japan, as emerging economies show signs of weakness that encourage prudent valuations.

Markets

The market situation of the main group companies is the following:

“Tobacco machinery”: global cigarette consumption remained steady, but with a declining trend. China and Southeast Asia also show a slowdown.

While demand for standard machinery is down, it remains sustained for innovative products for cigarettes, filters and special packages and for the segment that requires to provide innovative solutions. The focus on that segment will be crucial in preserving current business levels in 2014 and beyond.

The European Community is expected to issue the i.e. *EU tobacco product directive* (“tobacco directive”) in the near future, although the various member states will have 24 months to implement it in their countries.

The restrictions are significant and mainly relate to the minimum size of packages and cigarettes and the space devoted to health warnings, which will now need to cover 65% of the package.

However, there is some indecisiveness and space left open to interpretation (especially with respect to the compliance of special products now and in the future, i.e., *EU tobacco product compliance*); this creates uncertainty, which reflects in a wait-and-see approach and the postponement of investments on the market.

In the next two or three years, however, it will also be possible to supply units to convert/adapt to the new legislation.

Another opportunity offered by the market is the reduction in production costs through the use of more flexible lines. The subsidiary G.D has concentrated on this area in recent

years and is now in a position to fully respond to customer needs.

Another increasingly important segment is after-sales, in which turnover continues to grow for maintenance services, technical assistance for production and the supply of spare parts.

Consumer Goods Machinery, Industrial Process Solutions and Precision Gears:

In 2013, order flows consolidated, remaining substantially in line with 2012. The acquisition of R.A. Jones has enabled Coesia to significantly increase its presence on the relevant markets. The group's 2013 results in these divisions show turnover is up on the previous year, in part due to the acquisition of R.A. Jones, while profitability before most overheads has substantially remained steady.

Business risks

In relation to the requirements of article 2428 of the Italian Civil Code for disclosures about the main "risks and uncertainties" and the "environment and personnel", no significant events took place.

The group companies are exposed to the normal risks and uncertainties of industrial businesses engaged in designing, producing and selling consumer goods with a high technological content on international markets. The related financial risks (credit, liquidity, currency, interest rate) do not significantly impact the consolidated and group companies' financial positions and results of operations, although they exist and are carefully monitored and managed. Specifically, Coesia S.p.A. and its subsidiaries hedge currency and interest rate risks using the relevant hedging instruments.

Investments in foreign operations are not hedged, except for the programmed distribution of dividends, as foreign currency positions are considered to be of a long-term nature.

As noted, Coesia S.p.A.'s and its subsidiaries' market is characterised by demand for

highly technological and innovative solutions and, accordingly, the group invests around 5% of its turnover in R&D. In this context, employees' expertise is of strategic importance, especially in technical areas. The group invests heavily and constantly in training and retaining its employees and in the work place. It carefully monitors and applies the relevant labour legislation, especially that covering occupational health and safety, and has adopted the management model provided for by Legislative decree no. 231 covering safety in the workplace.

Finally, with respect to market risks, in addition to that described above, the subsidiary G.D. faces other potential factors that affect cigarette consumption and demand for new machinery, the new legislation regulating and increasingly limiting both tobacco consumption and the use of special packaging (on which, as noted previously, a growing part of the company's business is based) outside the EU and US as well. Furthermore, the development of special projects could undergo price pressure due to our customers' need to sustain profitability.

Performance

2013 was a positive year for the group with results outperforming those of 2012 and the budget. Coesia's 2013 consolidated financial statements show:

- 2013 turnover (including the change in work in progress on long-term contracts) of €1,373.2 million, up roughly 3.8% on 2012 (€1,211.7 million), net of the turnover generated by R.A Jones & Co. (€115.7 million).
- an operating profit of €146.0 million, in line with 2012 (€146.1 million), which includes the amortisation of goodwill, goodwill arising on consolidation and trademarks (€45.3 million, compared to €25.6 million in 2012) and also the effects arising from the consolidation for the first time of the profit and loss of R.A Jones & Co.

- net financial debt (including current financial assets, financial payables due within and after one year, the financial payable due to the parent and the bond) worsened from €299 million at the 2012 year end to €318 million at 31 December 2013, mainly due to the increase of debts in connection with the acquisition of IPI group (€37.7 million), the payment of dividends to the parent (€16 million) and payments in connection with real estate projects (over €35 million), for the most offset by cash flows generated by operations.

The performance of the main segments and group companies is discussed below.

- G.D S.p.A. performed better than in 2013. Its 2013 turnover grew 8.4% from €593.9 million to €643.9 million. Its operating profit was €136.9 million after expensing R&D costs of around 6% of turnover. The improvement on 2012 (€111.0 million) was due to greater sales volumes and the favourable mix of the after-sales segment.
- On the other hand, about the companies actives in the Consumer Goods Machinery, Industrial Process Solutions and Precision Gears:
 - ACMA S.p.A. ended the year with an operating loss of €6.2 million, showing a worsening on the previous year (in 2012, the operating loss was €2.3 million). This worsening was mainly due to considerable investments in research and development activities for new products;
 - GDM S.p.A.'s 2013 results were substantially in line with 2012. Turnover in 2013 (€52.7 million, including the change in inventory for long-term contracts) is down on 2012 (€53.5 million), while the operating profit has slightly improved (2013: €3.8 million; 2012: €3.7 million). The company ended the year with a sound order backlog, up on the previous year, putting it on a significant growth path for 2014;
 - VOLPAK SA ended 2013 with turnover (€59.0 million) down on 2012 (€66.2

million). The operating profit fell from €11.3 million in 2012 to €10.2 million in 2013 due to greater operating costs;

- CIMA S.p.A. performed better in 2013 than in 2012. Although the company's 2013 turnover was slightly down on the previous year (from €19.1 million in 2012 to €18.3 million in 2013), after a substantial operating break-even in 2012, the company posted an operating profit of €0.4 million in 2013. This improvement was due to the growth in the industrial profit margin, bolstered by orders from the industrial sector.
- In 2013, Hapa enjoyed growth in consolidated turnover (€43.2 million in 2013, compared to €40.6 million in 2012) and an improvement in the operating profit (€4.5 million in 2013, compared to €3.8 million in 2012, before the amortisation of goodwill). The improvement in the operating profit was mainly due to cost control measures and a reduction in R&D investments, which had been particularly significant in 2012.
- 2013 was a year of structural consolidation for Laetus, with consolidated turnover substantially in line with the previous year (€19.3 million in 2013, compared to €19.4 million in 2012) while the operating loss worsened (operating loss of €1.3 million in 2013, compared to an operating profit of €0.6 million in 2012, before the amortisation of goodwill). The negative trend in costs was mainly due to investments to strengthen the sales and technical structures and to develop new products. These investments were necessary to meet a particularly high influx of orders from the pharmaceutical sector due to new regulations issued by the European Authorities. The orders will be filled in 2014 and subsequent years, with forecasts of a substantial increase in business and results;
- Norden group (formerly Sirius group), which also includes Citus Kalix Sas, in the

2013 has seen an improvement in its results, with consolidated turnover at €104.7 million (2012: €101.3 million) and an operating profit rising to €7.2 million (2012: €7.0 million).

- Flexlink group ended 2013 with consolidated turnover of €173.8 million (2012: €178.3 million) and an operating profit of €11.8 million, down on the €19.1 million of 2012. This worsening was due to the industrial profit margin, adversely affected by the new project portfolio mix, problems fulfilling certain orders and increased overheads.
- Lastly, R.A. Jones & Co. posted 2013 turnover of €115.7 million and an operating profit of €10.4 million. The company's performance was negatively affected by the decrease in investments by its key customer, but the cost trend was kept under control.

Research and development activities

Research and development are vital for the development of companies that provide high-tech products and all group companies focus intensely on these activities.

Costs incurred for research and development are expensed in the year and account for around 5% of turnover.

Certain group companies benefited from subsidised loans and grants under Law no. 46/82 for one or more research projects.

Related party transactions

Intragroup relationships are particularly intense, in order to develop synergies and achieve full use of company assets.

All intragroup transactions are carried out on an arm's length basis. Transactions with consolidated subsidiaries are eliminated upon consolidation.

Transactions with unconsolidated subsidiaries and associates are discussed in the notes

to the consolidated financial statements, to which reference should be made.

With regard to the disclosure required by article 2427.22-bis of the Italian Civil Code, there have been no “relevant” related party transactions and/or transactions “not carried out on an arm’s length basis”.

Number and nominal value of own shares

The group does not hold any own shares.

Subsequent events

Nothing to report.

Outlook

The order trends foreseen for 2014 and the current backlog level lead us to expect slightly improved turnover and results for the Advanced Automated Machinery, Industrial Process Solutions, Aseptic Packaging (IPI group) and Precision Gears segments compared to 2013, although subject to the evolution of the still complex and volatile market situation.

The consolidated financial statements as at and for the year ended 31 December 2013, which we submit for your attention, show a consolidated net profit of €64,412 thousand, net of provisions for all charges relating to the year. Consolidated net equity at year end, including the net profit for the year, amounts to €419,124 thousand.

Bologna, 23 June 2014

On behalf of the board of directors:

Isabella Seragnoli

(signed on the original)

COESIA S.p.A. - with registered office in Bologna (BO) - Via Battindarno 91

Tax code 02221441203 – Bologna Company Register

Fully paid-up share capital €125,000,000

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

(in thousands of Euros)

| BALANCE SHEET | 31.12.2013 | 31.12.2012 |
|---|-------------------|-------------------|
| ASSETS | | |
| (A) Share capital proceeds to be received | <u>0</u> | <u>0</u> |
| (B) Fixed assets | | |
| I - Intangible fixed assets | | |
| 1) Start-up and capital costs | 126 | 131 |
| 3) Industrial patents and intellectual property rights | 1,597 | 1,378 |
| 4) Concessions, licences, trademarks and similar rights | 14,075 | 15,036 |
| 5) Goodwill | 282,669 | 330,776 |
| 6) Assets under development and payments on account | 7,677 | 2,978 |
| 7) Other | 6,861 | 5,868 |
| 8) Goodwill arising on consolidation | 75,474 | 62,530 |
| Total intangible fixed assets | <u>388,479</u> | <u>418,697</u> |
| II - Tangible fixed assets | | |
| 1) Land and buildings | 131,932 | 127,636 |
| 2) Plant and machinery | 28,976 | 23,528 |
| 3) Industrial and commercial equipment | 7,142 | 7,785 |
| 4) Other assets | 12,057 | 9,423 |

| | | |
|--|-----------------------|-----------------------|
| 5) Assets under construction and payments on account | 69,038 | 42,532 |
| Total tangible fixed assets | <u>249,145</u> | <u>210,904</u> |
| III - Financial fixed assets | | |
| 1) Investments: | | |
| a) subsidiaries | 0 | 30 |
| b) associates | 837 | 858 |
| d) other | 317 | 307 |
| Total investments | <u>1,154</u> | <u>1,195</u> |
| 2) Financial receivables: | | |
| d) from others: | | |
| - due after one year | 1,683 | 1,545 |
| Total financial receivables | <u>1,683</u> | <u>1,545</u> |
| Total financial fixed assets | <u>2,837</u> | <u>2,740</u> |
| Total fixed assets | <u>640,461</u> | <u>632,341</u> |
| (C) Current assets | | |
| I – Inventory | | |
| 1) Raw materials, consumables and supplies | 75,671 | 63,836 |
| 2) Work in progress and semi-finished products | 369,893 | 315,018 |
| 3) Contract work in progress | 17,977 | 12,748 |
| 4) Finished goods | 38,044 | 43,205 |
| 5) Payments on account | 3,466 | 3,053 |
| Total inventory | <u>505,051</u> | <u>437,860</u> |
| II – Receivables | | |
| 1) Trade receivables | | |
| a) due within one year | 271,372 | 273,349 |

| | | |
|---|-------------------------|-------------------------|
| b) due after one year | 0 | 4,412 |
| Total trade receivables | <u>271,372</u> | <u>277,761</u> |
| 2) From subsidiaries | 561 | 1,098 |
| 3) From associates | 106 | 58 |
| 4) From the parent | 185 | 2,752 |
| 4-bis) Tax receivables | 28,529 | 24,741 |
| 4-ter) Deferred tax assets | 59,697 | 62,792 |
| 5) From others | 10,581 | 7,312 |
| Total receivables | <u>371,031</u> | <u>376,514</u> |
| III - Current financial assets | | |
| 6) Other securities | 193 | 6,891 |
| Total current financial assets | <u>193</u> | <u>6,891</u> |
| IV - Liquid funds | | |
| 1) Bank and postal accounts | 222,979 | 272,509 |
| 3) Cash-in-hand and cash equivalents | 734 | 764 |
| Total liquid funds | <u>223,713</u> | <u>273,273</u> |
| Total current assets | <u>1,099,988</u> | <u>1,094,538</u> |
| (D) Prepayments and accrued income | <u>9,126</u> | <u>8,861</u> |
| TOTAL ASSETS | <u>1,749,575</u> | <u>1,735,740</u> |
| LIABILITIES | | |
| (A) Net equity | | |
| I - Share capital | 125,000 | 125,000 |
| II - Share premium reserve | 0 | 0 |
| III - Revaluation reserves | 86,135 | 86,135 |
| IV - Legal reserve | 11,907 | 11,633 |

| | | |
|--|-----------------------|-----------------------|
| V - Reserve for own shares in portfolio | 0 | 0 |
| VI - Statutory reserves | 0 | 0 |
| VII - Other reserves | 0 | 0 |
| Translation reserve | 7,889 | 26,930 |
| VIII - Retained earnings | 123,781 | 64,153 |
| IX - Net profit for the year | 64,412 | 75,909 |
| Net equity – group | <u>419,124</u> | <u>389,760</u> |
| Share capital and reserves - minority interests | 514 | 370 |
| Net equity - group and minority interests | <u>419,638</u> | <u>390,130</u> |
| (B) Provisions for risks and charges | | |
| 2) Tax provision, including deferred tax liabilities | 25,954 | 26,620 |
| 3) Other provisions | 103,943 | 109,678 |
| Total provisions for risks and charges | <u>129,897</u> | <u>136,298</u> |
| (C) Employees' leaving entitlement | <u>30,651</u> | <u>31,424</u> |
| (D) Payables | | |
| 1) Bonds | | |
| b) due after one year | 100,000 | 100,000 |
| Total bonds | <u>100,000</u> | <u>100,000</u> |
| 3) Shareholder loans | 10,000 | 0 |
| 4) Bank loans and borrowings | | |
| a) due within one year | 66,444 | 78,717 |
| b) due after one year | 331,139 | 369,310 |
| Total bank loans and borrowings | <u>397,583</u> | <u>448,027</u> |
| 5) Loans and borrowings from other financial backers | | |
| a) due within one year | 2,439 | 2,044 |

| | | |
|---|-------------------------|-------------------------|
| b) due after one year | 32,375 | 29,674 |
| Total loans and borrowings from other financial backers | <u>34,814</u> | <u>31,718</u> |
| 6) Payments on account | 277,270 | 290,309 |
| 7) Trade payables | 239,472 | 207,972 |
| 9) Payables to subsidiaries | 207 | 665 |
| 10) Payables to associates | 336 | 226 |
| 11) Payables to parents | 14 | 0 |
| 12) Tax payables | 19,541 | 22,782 |
| 13) Social security charges payable | 15,498 | 14,658 |
| 14) Other payables | | |
| a) due within one year | 63,532 | 54,664 |
| b) due after one year | 4,500 | 0 |
| Total other payables | <u>68,032</u> | <u>54,664</u> |
| Total payables | <u>1,162,767</u> | <u>1,171,021</u> |
| (E) Accrued expenses and deferred income | <u>6,622</u> | <u>6,867</u> |
| TOTAL LIABILITIES | <u>1,749,575</u> | <u>1,735,740</u> |
| MEMORANDUM AND CONTINGENCY ACCOUNTS | | |
| Personal guarantees given | | |
| -Sureties in favour of third parties | 124,742 | 98,923 |
| Total | <u>124,742</u> | <u>98,923</u> |
| Commitments | | |
| -Off-the-books transactions | 24,939 | 27,280 |
| Total | <u>24,939</u> | <u>27,280</u> |
| Contingencies | | |
| -Discounted bills not yet due | 3,469 | 3,163 |

| | | |
|--|-------------------------|-------------------------|
| -Other | 12,439 | 9,340 |
| Total | <u>15,908</u> | <u>12,503</u> |
| PROFIT AND LOSS ACCOUNT | 2013 | 2012 |
| (A) PRODUCTION REVENUES | | |
| 1) Turnover from sales and services | 1,369,369 | 1,198,917 |
| 2) Change in work in progress, semi- finished products and finished goods | 58,711 | 35,910 |
| 3) Change in contract work in progress | 3,819 | 12,748 |
| 4) Internal work capitalised | 6,466 | 3,407 |
| 5) Other revenues and income: | | |
| a) grants related to income | 29 | 208 |
| b) other income | 8,351 | 11,210 |
| Total other revenues and income | <u>8,380</u> | <u>11,418</u> |
| Total production revenues | <u>1,446,745</u> | <u>1,262,400</u> |
| (B) PRODUCTION COST | | |
| 6) Raw materials, consumables, supplies and goods | 452,528 | 374,089 |
| 7) Services | 350,898 | 320,417 |
| 8) Use of third party assets | 16,894 | 16,471 |
| 9) Personnel expenses: | | |
| a) wages and salaries | 289,502 | 252,085 |
| b) social security contributions | 71,873 | 66,180 |
| c) employees' leaving entitlement | 8,713 | 8,724 |
| e) other costs | 15,863 | 8,281 |
| Total personnel expenses | <u>385,951</u> | <u>335,270</u> |
| 10) Amortisation, depreciation and write-downs: | | |

| | | |
|---|-------------------------|-------------------------|
| a) amortisation of intangible fixed assets | 49,664 | 29,406 |
| b) depreciation of tangible fixed assets | 18,258 | 16,671 |
| d) write-downs of current receivables | 1,154 | 264 |
| Total amortisation, depreciation and write-downs | <u>69,076</u> | <u>46,341</u> |
| 11) Change in raw materials, consumables, supplies and goods | 341 | (9,138) |
| 12) Provisions for risks | 14,934 | 24,915 |
| 14) Other operating costs | 10,141 | 7,983 |
| Total production cost | <u>1,300,763</u> | <u>1,116,348</u> |
| Operating profit | <u>145,982</u> | <u>146,052</u> |
| (C) Financial income and charges | | |
| 15) Income from investments: | | |
| c) dividends and other income from other companies | 11 | 0 |
| Total income from investments | <u>11</u> | <u>0</u> |
| 16) Other financial income: | | |
| c) from securities classified as current assets which are not equity investments | 13 | 295 |
| d) other income: | | |
| - interest from subsidiaries | 2 | 2 |
| - interest from others | 10,597 | 5,816 |
| Total other income | <u>10,599</u> | <u>5,818</u> |
| Total other financial income | <u>10,612</u> | <u>6,113</u> |
| 17) Interest and other financial charges: | | |
| b) to associates | 17 | 0 |
| c) to others | 20,414 | 16,762 |

| | | |
|---|-----------------------------|-----------------------------|
| Total interest and other financial charges | <u>20,431</u> | <u>16,762</u> |
| 17-bis) Net exchange rate losses | <u>(7,778)</u> | <u>(8,291)</u> |
| Net financial charges | <u>(17,586)</u> | <u>(18,940)</u> |
| (D) ADJUSTMENTS TO FINANCIAL ASSETS | | |
| 18) Write-backs: | 0 | 0 |
| 19) Write-downs: | | |
| a) of equity-accounted investees | 343 | 4,708 |
| Total write-downs | <u>343</u> | <u>4,708</u> |
| Total adjustments to financial assets | <u>(343)</u> | <u>(4,708)</u> |
| (E) Extraordinary income and expense | | |
| 20) Income | | |
| b) other income | 0 | 4,418 |
| Total income | <u>0</u> | <u>4,418</u> |
| 21) Expense | | |
| c) other expense | 2,409 | 2,594 |
| Total expense | <u>2,409</u> | <u>2,594</u> |
| Net extraordinary income/(expense) | <u>(2,409)</u> | <u>1,824</u> |
| Pre-tax profit | <u>125,644</u> | <u>124,228</u> |
| 22) Income taxes: | | |
| a) current taxes | 61,101 | 54,539 |
| b) deferred taxes | 133 | (6,198) |
| Total income taxes | <u>61,234</u> | <u>48,341</u> |
| Net profit for the year including minority interests | <u>64,410</u> | <u>75,887</u> |
| Minority interests in net profit for the year | <u>(2)</u> | <u>(22)</u> |
| 23) Net profit for the year | <u><u>64,412</u></u> | <u><u>75,909</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2013

(in thousands of Euros)

ACTIVITIES OF THE GROUP COMPANIES

The main Coesia group companies and their activities are discussed in the directors' report. The group was created in 2002 when Coesia S.p.A. acquired 100% of CSII Industrie S.p.A. (production investment holding company). In 2003, CSII Industrie S.p.A. was merged into COESIA S.p.A., making the latter the direct parent of the main production companies in the group.

FORMAT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the regulations of section III, articles 24-43 of Legislative decree no. 127/91. They are comprised of the balance sheet and profit and loss account (prepared using the formats provided for by articles 2424 and 2425 of the Italian Civil Code, modified, where appropriate, as required by article 32 of Legislative decree no. 127/91), and these notes. They are accompanied by the directors' report. The law has been interpreted and integrated, where necessary, based on the accounting standards promulgated by the Italian Accounting Standard Setter (*Organismo Italiano di Contabilità*).

The purpose of the notes is to illustrate, analyse and, in certain cases, integrate consolidated financial statements figures, in addition to providing the information required by article 38 of Legislative decree no. 127/91. Furthermore, the notes provide all information considered necessary to give a true and fair view of the group's accounts, even if not specifically required by the law.

The consolidated financial statements as at and for the year ended 31 December 2013 have been prepared using the separate financial statements at the same date of the

companies included in the consolidation scope, approved by the respective company bodies. Reporting packages have been prepared specifically for consolidation purposes for Coesia India Pvt Ltd and Flexlink Systems India Pvt Ltd, which end their financial years on 31 March.

The financial statements of the consolidated companies have been modified, where necessary, to align them with Coesia group's accounting policies and reclassified to present them in accordance with the Italian Civil Code provisions introduced by Legislative decrees no. 127/91 and no. 6/2003.

In particular, the accounting policies applied in the consolidated financial statements differ from those applied in the separate financial statements of certain group companies with respect to the criteria applied to measure inventory and the provision for bad debts (a tax-driven entry) and the recognition of finance leases, research and development costs and the related deferred taxes.

CONSOLIDATION POLICIES

Consolidation method

The companies are consolidated on a line-by-line basis. The main policies adopted to apply this method are the following:

- the carrying amount of investments held by the parent or other consolidated companies is eliminated against the related net equity, as total assets, liabilities, costs and revenues of the consolidated companies are recognised, regardless of the percentage of ownership;
- the difference between acquisition cost and net equity at the date of initial consolidation is taken, where possible, to the assets or liabilities of the companies included in the consolidation scope up to their current amount. Any residual amounts, if negative, are recognised in the consolidation reserve under net equity. If positive, the residual

amounts are offset against the consolidation reserve. Any excess amounts are stated as goodwill arising on consolidation in the balance sheet assets and amortised on a straight-line basis in line with their future income-generating potential, which is normally ten years. Goodwill arising on consolidation following the elimination of the parent's investment in CSII Industrie S.p.A. (acquired in 2002 and merged into Coesia S.p.A. in 2003) and its subsidiaries is amortised over ten years, with the approval of the board of statutory auditors, considering the strategic aim of the transaction and the historically high profitability of the group acquired, as well as its consolidated leadership particularly in the field of machinery for the tobacco industry. The excess price paid for other investments was fully recognised as goodwill arising on consolidation as it did not satisfy the conditions for allocating it to the acquired assets, except for investments acquired up to 31 December 1992 and consolidated at that date, where the difference between acquisition cost and the investees' net equity that could not be allocated to intangible or tangible fixed assets was taken to consolidated net equity, as well as for R.A. Jones & Co., for which the excess that could not be allocated to fixed assets was allocated to goodwill;

- significant intercompany transactions, receivables and payables, dividends, costs and revenues and unrealised gains on intercompany transactions are eliminated, net of any tax effect (where applicable);
- minority interests in net equity are indicated in a specific consolidated balance sheet caption, while minority interests in the net profit for the year are shown separately in the consolidated profit and loss account;
- companies acquired or disposed of during the year are consolidated from/up to the date on which control was acquired/disposed of. The effects on the consolidated financial statements of acquisitions/sales during the year, if considered immaterial, are calculated

at the beginning and end of the year depending on which is closer to the date of the acquisition/sale.

Translation of the financial statements of foreign companies into Euros

The financial statements used for consolidation purposes prepared in foreign currency are translated into Euros using the exchange rates ruling at year end for balance sheet captions and the average exchange rates of the year for profit and loss account captions, as follows:

| Currency | Year-end exchange rate | Average exchange rate |
|--------------------|---------------------------|--------------------------|
| US dollar | 1.3791 | 1.3281 |
| Pound sterling | 0.8337 | 0.8493 |
| Russian rouble | 45.3246 | 42.3370 |
| Hong Kong dollar | 10.6933 | 10.3016 |
| Japanese yen | 144.7200 | 129.6627 |
| Brazilian real | 3.2576 | 2.8687 |
| Swiss franc | 1.2276 | 1.2311 |
| Mexican peso | 18.0731 | 16.9641 |
| Swedish krona | 8.8591 | 8.6515 |
| Chinese yuan | 8.3491 | 8.1646 |
| Turkish lira | 2.9605 | 2.5335 |
| South African rand | 14.5660 | 12.8330 |
| South Korean won | 1450.93 | 1453.91 |

Exchange rate differences arising on the translation of opening net equity at year-end exchange rates and the translation of the profit and loss account at average exchange rates are recognised in the translation reserve under net equity.

CONSOLIDATION SCOPE

The consolidated financial statements as at and for the year ended 31 December 2013 are based on the consolidation of the financial statements at that date of all companies under the direct and indirect control of Coesia S.p.A., the parent, in accordance with article 2359 of the Italian Civil Code, with the exception of the subsidiaries Lesina Autonoleggi S.r.l. and Ctai Kids S.r.l., as they are immaterial. The carrying amount (historical cost) of the investments in Lesina Autonoleggi S.r.l. and Ctai Kids S.r.l. in the consolidated financial statements is substantially the same as their equity-accounted carrying amount at 31 December 2013.

A list of investments included in the consolidation scope is annexed to these notes.

As discussed more thoroughly in the directors' report, in 2013, the consolidation scope changed as follows:

- Coesia South Korea was set up in May 2013. It is wholly owned by G.D Jidokikai KK, performs commercial and post-sales assistance activities and is consolidated on a line-by-line basis at 31 December 2013;
- also in May 2013, Flexlink group acquired 100% of Oberberger Daten- und Systemtechnik GmbH (Obsys) in order to integrate its product range. Obsys is consolidated on a line-by-line basis at 31 December 2013;
- October 2013 saw the acquisition of 100% of IPI S.r.l. and its subsidiaries. IPI S.r.l. is one of the few companies operating worldwide in the supply of integrated solutions in the field of aseptic packaging of liquids in multi-layer carton for the food and beverage industry. As it was acquired on 30 October 2013, only the company's balance sheet data were consolidated on a line-by-line basis at 31 December 2013;
- G.D South Africa Technical Centre (PTY) Ltd, which was set up in 2011 and valued at cost in 2012, is consolidated on a line-by-line basis at 31 December 2013.

The following extraordinary transactions were carried out in 2013, with no impact on the consolidated financial statements:

- Sirius Machinery AB changed its name to Norden Machinery AB following the reverse merger into the latter;
- Flexlink System AB merged into Flexlink Components AB, which is wholly owned by Flexlink Holding AB, and Flexlink Components AB changed its name to Flexlink AB.

RECONCILIATION OF NET EQUITY AND NET PROFIT FOR THE YEAR OF THE PARENT WITH THE RELATED CONSOLIDATED FIGURES

Below is the reconciliation of net equity and net profit for the year of the parent with the related consolidated figures at 31 December 2013:

| | <u>Net equity</u> | <u>Net profit for the year</u> |
|--|-----------------------|------------------------------------|
| FIGURES IN THE FINANCIAL STATEMENTS OF COESIA S.p.A. AT 31 DECEMBER 2012 | 219,922 | 7,300 |
| CONSOLIDATION ADJUSTMENTS: | | |
| a) Difference between the carrying amount of consolidated investments and their value using the equity method | | |
| | 179,063 | 92,293 |
| b) Elimination of dividends | - | (34,824) |
| c) Elimination of unrealised intercompany profits with third parties and included in inventory | | |
| | (21,164) | 6,995 |
| d) Elimination of unrealised intercompany profits with third parties and included in intangible and tangible fixed assets | | |
| | (9,917) | 242 |
| e) Adjustment to group accounting policies: inventory measurement changed from the LIFO to FIFO method and research and development costs expensed in the year. | | |
| | (2,504) | (3,111) |
| f) Effect of the recognition of finance leases for tangible fixed assets using the financial method | | |
| | 66,269 | (3,445) |
| g) Accrual for deferred tax liabilities related to the tax effect (where applicable) of consolidation adjustments | | |
| | <u>(12,545)</u> | <u>(1,038)</u> |
| Net effect of consolidation adjustments | <u>199.202</u> | <u>57.112</u> |
| FIGURES IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 | <u>419.124</u> | <u>64.412</u> |

ACCOUNTING POLICIES

In accordance with article 2426 of the Italian Civil Code, the most significant accounting policies applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2013, which are consistent with the policies applied in the preparation of the consolidated financial statements of the previous year and approved by the board of statutory auditors, where required by law, are described below.

Intangible fixed assets

Intangible fixed assets are stated at purchase cost, including related charges, and are amortised on a straight-line basis in line with their future income-generating potential, as follows:

- Start-up and capital costs 5 years
- Patents and intellectual property rights 3-5 years
- Software licences 3 years
- Goodwill/goodwill arising on consolidation and trademarks 10 years
- Participation in the creation of moulds 3 years
- Leasehold improvements period of future income-generating potential
- Application software 3 years

These costs are amortised over their future income-generating potential.

Reference should be made to the paragraph on the consolidation method for information on goodwill arising on consolidation. Goodwill is amortised over ten years and on a monthly basis in the first year to consider the acquisition date of the investment.

Advertising and research and development costs are expensed in full when incurred.

Assets are written down to reflect impairment, regardless of the amortisation already charged. If the reason for the write-down no longer exists in subsequent years, the asset is reinstated to its original value.

Tangible fixed assets

Tangible fixed assets are stated at purchase or production cost, adjusted in previous years under specific monetary revaluation laws. The cost includes related charges and direct and indirect costs that can be reasonably allocated to the asset.

Tangible fixed assets are depreciated on a straight-line basis using the following rates, which have been calculated based on the assets' residual useful lives:

- Civil property and buildings 3%
- Plant and machinery 10%-15.5%
- Furniture 12%
- Electronic accounting machines 18%-20%
- Equipment and models 25%
- Vehicles 20%-25%

Tangible fixed assets purchased during the year are depreciated at half the above rates, since on average they are only used in production for half the year.

Assets are written down to reflect impairment, regardless of the depreciation already charged. If the reason for the write-down no longer exists in subsequent years, the asset is reinstated to its original value.

Ordinary maintenance costs are expensed in full in the year they are incurred. Costs for maintenance that increases the value of assets are allocated to those assets and depreciated over their residual useful lives.

Investments (classified as fixed assets)

Investments in unconsolidated subsidiaries and associates are accounted for using the equity method, as indicated in the related notes, or at cost when equity accounting is not necessary for giving a true and fair view in the consolidated financial statements.

Investments in other companies are stated at acquisition or subscription cost. They are

written down to reflect impairment if the investees have incurred losses and profits large enough to absorb those losses are not forecast in the immediate future. If the reasons for the write-down no longer exist, the original value is reinstated in subsequent years.

The equity method entails the recognition of an amount equal to the corresponding portion of net equity as per the most recent approved financial statements, less dividends and after adjustments required by the generally-accepted accounting policies adopted for the consolidated financial statements. In the first year of application, the excess amount paid over the portion of net equity of the investee at acquisition is maintained under investments to the extent that it can be allocated to the depreciable assets or to goodwill. The difference allocated to depreciable assets or goodwill is amortised using the rates of these assets. Following acquisition, the gains or losses arising from the application of this method are taken to the profit and loss account.

Inventory

Inventory is stated at the lower of cost, using a method similar to FIFO, and related market value.

Obsolete and slow-moving items are written down based on forecast use or realisation, through accruals to the provision for write-downs of inventory. Work in progress and semi-finished products are stated based on the completion of contract method, under which contract revenues and profits are only recognised when the contract is completed, thus when the work is finalised and delivered.

Long-term contract work in progress is stated using the percentage of completion method, whereby contract costs, revenues and profits are recognised based on the stage of completion. The hours worked method is adopted in applying such criterion.

Current and financial receivables

Receivables are stated at their estimated realisable value. Their nominal value is adjusted to this value through accruals to the provision for bad debts, also considering the overall conditions of the economy and segment and any significant country risk and customer concentration risk.

Current investments and securities

These are stated at the lower of cost (using the FIFO method) and the related realisable value, based on market trends at year end. In the event of a write-down, the original value is reinstated in subsequent years if the reasons for the write-down no longer exist.

Liquid funds

Liquid funds are stated at their nominal value.

Prepayments and accrued income, accrued expenses and deferred income

These captions include costs and revenues relating to two or more years recognised on an accruals basis.

Provisions for risks and charges

Provisions for risks and charges are recognised to cover certain or probable losses or liabilities whose amount or due date are unknown at the balance sheet date. Accruals reflect the best possible estimate based on available information.

Risks for which the liability is only possible are not provided for, but are disclosed in the notes to the financial statements.

Liabilities and charges related to pension plans set up by certain foreign group companies for their employees are recognised on the basis of local accounting principles, which do not significantly differ from the relevant international financial reporting standards.

Derivatives

Derivative contracts related to interest or exchange rate trends taken out for trading

purposes are recognised at year-end market value.

Derivatives used to hedge the fluctuations in interest rates are measured in line with the hedged liabilities. The difference between the interest rates of the derivatives and the underlying financing/lease arrangements is taken to the profit and loss account on an accruals basis.

Employees' leaving entitlement

This liability reflects the amount due to all employees of the Italian group companies, calculated based on the law and national labour contracts. Employees' leaving entitlement is indexed.

Payables

Payables are stated at nominal value, which is considered indicative of their settlement amount.

Commitments and guarantees

Commitments and guarantees given are stated in the memorandum and contingency accounts at their contractual value.

Revenue recognition

Revenues from the sale of products are recognised upon the transfer of title, which usually coincides with shipment. For contract work in progress, contract costs, revenues and profits are recognised based on the stage of completion.

Dividends

Dividends are recognised on an accruals basis in the year in which the related profits accrue ("accrued" method) and, in any case, only if the resolutions of the subsidiaries' board of directors approving the draft financial statements and dividend distribution have been taken before the resolution of the parent's board of directors approving the draft financial statements.

Income taxes

Current taxes are recognised on the basis of taxable income, in accordance with current regulations, considering any exemptions and the related applicable tax rates.

Furthermore, deferred tax assets and liabilities have been recognised on the temporary differences between the carrying amounts stated in the balance sheet and the related amounts recognised for tax purposes of each company. Similarly, deferred taxes are considered on the consolidation adjustments. In particular, deferred tax assets are recognised when it is reasonably certain that there will be future taxable profits against which the deferred tax assets may be used. Deferred tax assets and liabilities are calculated on the basis of the expected rates applicable in the period when the related temporary differences reverse. Deferred tax liabilities are not accrued to reflect the tax charge, where applicable, on available reserves and profits of foreign subsidiaries that do not plan to make any distribution.

Finance leases

Finance leases are recognised, where the requirements have been met, using the financial method provided for by OIC 17, considering their financial nature.

Grants related to income

Grants related to income provided against costs incurred are recognised in the profit and loss account in full in the year in which their receipt becomes reasonably certain.

Research and development costs

Research and development costs are taken in full to the profit and loss account when incurred.

Translation criteria

Receivables and payables arising on transactions in foreign currency are stated at the exchange rates ruling on the date when those transactions were performed. Exchange rate

differences are taken to the profit and loss account when realised.

At year end, receivables and payables in foreign currency are translated at the exchange rates ruling at the balance sheet date. Exchange rate gains and losses are taken to the profit and loss account.

Tangible, intangible and financial fixed assets, comprised of investments, recognised at cost in foreign currency are translated at the exchange rate ruling at the purchase date or, if lower, the exchange rate ruling at year end, if the difference is considered permanent.

Options taken out to hedge foreign currency receivables and payables stated in the financial statements are recognised based on the exchange rates ruling at year end.

Exchange rate gains and losses on options taken out to hedge specific contractual commitments are deferred and recognised as adjustments to revenues arising on the sale of the related asset.

OTHER INFORMATION

Waivers under article 29 of Legislative decree no. 127/91

The group did not avail of any of the waivers under article 29.4 of Legislative decree no. 127/91.

Presentation of figures

The consolidated financial statements schedules and amounts disclosed in these notes relating to the group's financial position and results of operations are given in thousands of Euros for a clearer presentation.

Where significant, the effects of changes in the consolidation scope are disclosed in the following comments on each consolidated financial statements caption.

Independent auditors' fees

Pursuant to article 2427 of the Italian Civil Code, the table below shows the fees paid by Coesia S.p.A. and group companies to the independent auditors and their network, for

audit engagements and other services, set out by type or category (in thousands of Euros).

| <u>Service type</u> | <u>Service provider</u> | <u>Beneficiary</u> | <u>Fees</u> |
|----------------------------|-------------------------|--------------------|--------------|
| Audit | KPMG S.p.A. | Coesia S.p.A. | 40 |
| Other attestation services | KPMG S.p.A. | Coesia S.p.A. | 9 |
| Other services | KPMG S.p.A. | Coesia S.p.A. | 185 |
| Total Coesia S.p.A. | | | 234 |
| Audit | KPMG S.p.A. | Subsidiaries | 230 |
| Audit | KPMG network | Subsidiaries | 758 |
| Other attestation services | KPMG S.p.A. | Subsidiaries | 14 |
| Other attestation services | KPMG network | Subsidiaries | 3 |
| Tax services | KPMG network | Subsidiaries | 15 |
| Total subsidiaries | | | 1,020 |
| Overall total | | | 1,254 |

ASSETS

FIXED ASSETS

Specific statements have been prepared for intangible and tangible fixed assets, which are attached to these notes. The statements indicate historical cost, accumulated amortisation and depreciation, changes during the year, closing balances and total write-backs at the balance sheet date.

INTANGIBLE FIXED ASSETS

Concessions, licences, trademarks and similar rights mainly relate to the Flexlink brand (€10,834 thousand) following the above-mentioned acquisition of Flexlink group. It also includes costs incurred to acquire licences for business management software.

Goodwill, net of amortisation for the year (€34,742 thousand), relates to the residual value

of:

- goodwill paid by Laetus GmbH and Laetus Italia S.r.l. to purchase the business units relating to control devices for the pharmaceutical segment on 1 April 2006 for €1,589 thousand and €85 thousand, respectively;
- goodwill paid to purchase the business unit relating to the production and marketing of “In-line printing systems” for the pharmaceutical, nutraceutical, food and consumer goods segments from Gottscho Printing Systems Inc. on 1 July 2011 for €873 thousand.
- goodwill paid to acquire R.A Jones & Co. Inc., amounting to €172,953 thousand and equal to the difference between the price paid and the company’s net equity at 31 December 2011, which is the notional acquisition date, since the company was acquired on 11 December 2012. In the year, the seller refunded €1,537 thousand as a price adjustment. This refund decreased the amount of goodwill. €8,159 thousand of the excess price paid above net equity was allocated to owned industrial buildings, while the residual amount was recognised as goodwill and amortised over 10 years beginning in 2013, considering the acquired company’s forecast results. At the date of initial consolidation, goodwill includes the €10,000 thousand deposited in a joint bank account held by R.A Jones & Co. Inc. and the seller as a guarantee against any damages provided for by contract. 50% of this amount was to be paid to the seller by 12 December 2013 and the remaining 50% by 12 June 2014 to cover any damages provided for by contract. The first payment was not made as the seller was sent claims for damages, which are currently being determined.
- the excess price paid in previous years to acquire Flexlink group, amounting €106,994 thousand, which was allocated to goodwill and amortised over 10 years

considering the company's forecast results, and the excess price paid of €175 thousand to acquire 100% of Oberberger Daten- und Systemtechnik GmbH (Obsys), above the corresponding net equity at the acquisition date.

All the above goodwill is amortised over 10 years.

Goodwill arising on consolidation, stated in the consolidated balance sheet for a residual amount of €75,474 thousand, net of 2013 amortisation of €9,187 thousand, reflects:

- the difference of €12,741 thousand between the price paid to acquire the subsidiary Sasib S.p.A. and the related net equity at the notional acquisition date, 31 December 2011, considering that the company was acquired on 28 October 2011. The excess amount paid over the carrying amount of net equity was allocated to goodwill, rather than being recognised as an increase in assets, and amortised over 10 years, starting from this year, considering the acquired company's forecast results. Moreover, the price includes €1,372 thousand deposited in a bank account held by G.D S.p.A. as a guarantee against any damages provided for by contract. €713 thousand of this amount was paid to the seller in January 2014 and the remainder will be paid in January 2015, net of any damages claimed by G.D within the established dates;
- the excess amount of €2,646 thousand between the price paid to acquire 100% of Hapa AG and the related net equity at the acquisition date of 1 April 2006, which has been allocated to goodwill and amortised over 10 years on the basis of the acquired company's forecast results;
- the excess amount of €11,475 thousand between the price paid to acquire 100% of Sirius group and the related net equity at the notional acquisition date, 31 December 2008, considering that Sirius was acquired on 3 November 2008. This amount has been allocated to goodwill and amortised over 10 years on the basis of the acquired

company's and its group's forecast results;

- the excess amount of €3,336 thousand between the price paid in previous years and the net equity for Sirius group companies, which has been allocated to goodwill arising on consolidation and amortised over 10 years on the basis of the acquired company's forecast results;
- the excess amount of €386 thousand between the price paid to acquire 100% of Fransosons Maskin Bearbetning I Kalmar Ab and the related net equity at the acquisition date, which has been allocated to goodwill and amortised over 10 years on the basis of the acquired company's forecast results;
- the excess amount of €21,636 thousand between the price paid to acquire 100% of Flexlink group and the related net equity at 31 December 2011, the notional acquisition date considering that the company was acquired in January 2012. This amount has been allocated to goodwill and amortised over 10 years on the basis of the acquired company's forecast results;
- the excess amount of €1,025 thousand between the price paid to acquire a further 54% of Tecnomeccanica S.r.l. and the related net equity at the notional acquisition date, 31 December 2010, considering that the company was acquired in March 2011.
- the excess amount of €22,226 thousand between the price paid to acquire 100% of IPI S.r.l. and the related net equity at 31 December 2013, the notional acquisition date considering that the company was acquired in October 2013. This amount will be amortised over ten years beginning in 2014.

Leasehold improvements relate to leases that do not meet the requirements for application of the financial method.

Assets under development increased €4,699 thousand due to the purchase of licences for

the new ERP system expected to be rolled out in 2014.

TANGIBLE FIXED ASSETS

Land and buildings include a civil property of €0.5 million (net of accumulated depreciation) owned by the subsidiary G.D USA.

The €5,861 thousand increase in land and buildings during the year mainly relates to improvements to owned buildings (€2,967 thousand) and the reclassification of €2,894 thousand from assets under construction and payments on account in relation to the signing of the purchase agreement for a building that in 2008 had been subject to a preliminary purchase agreement as part of a complex agreement with the Municipality of Bologna, based on which the company sold the building area in Via Melozzo da Forlì, with the understanding that the existing building would be demolished. At the same time, a preliminary agreement was signed for the purchase of the building, for which authorisation had already been given for demolition and a zoning change in order for the area to be used as offices.

The change in the consolidation scope mainly refers to leased properties and the plant and machinery that the group acquired with the acquisition of the subsidiary IPI S.r.l..

The other changes for the year mainly relate to the acquisition of industrial equipment of €2,574 thousand and production machinery of €3,377 thousand.

Assets under construction and payments on account include costs of €64,667 thousand (€37,753 thousand at 31 December 2012) to build a multi-functional industrial building at Via Speranza 42-44, Bologna. Construction work began in 2009 and is not yet complete.

Assets under construction and payments on account also include work in progress of €150 thousand on fixed plant and work in progress of €1,344 thousand on properties owned by the subsidiary G.D S.p.A..

FINANCIAL FIXED ASSETS

Investments

At 31 December 2013, the following Coesia group investments were not consolidated on a line-by-line basis, except for G.D. South Africa Ltd, which is consolidated on a line-by-line basis beginning in 2013:

Investments in subsidiaries:

| | <u>Share/quotaholder</u> | <u>31/12/13</u> | <u>31/12/12</u> |
|---|--------------------------|-----------------|-----------------|
| Measured at cost: | | | |
| - Lesina Autonoleggi S.r.l. (Italy) | G.D S.p.A. | - | 29 |
| - Ctai Kids S.r.l. (Italy) | G.D S.p.A. | - | - |
| - G.D South Africa Technical Centre (PTY) Ltd (South Africa) | G.D S.p.A. | - | 1 |
| | | <u>0</u> | <u>30</u> |

G.D. South Africa Technical Centre (PTY) Ltd (South Africa) is consolidated on a line-by-line basis in these consolidated financial statements. It was set up by the subsidiary G.D S.p.A. in 2011 to perform commercial and post-sales assistance activities and was previously stated at cost.

Coesia South Korea was set up in 2013. It is wholly owned by the subsidiary G.D JIDOKIKAI K.K. and indirectly controlled by G.D S.p.A.. It currently provides technical post-sales assistance services and began operating in May 2013.

Following Ctai Kids S.r.l.'s net loss for 2013, the investment in this company, amounting to €160 thousand, was written off. The difference between the investment's carrying amount and its net deficit is recognised under a provision to cover losses of investments under liabilities and is discussed further on.

In 2013, Sasib Inc., wholly owned by Sasib S.p.A., was wound up, as it had already been inoperative since the previous year. There were no net losses or capital losses.

Investments in associates:

| | <u>Share/quotaholder</u> | <u>at</u> | <u>at</u> |
|--|--------------------------|-----------------|-----------------|
| | | <u>31/12/13</u> | <u>31/12/12</u> |
| Measured at cost: | | | |
| - Fare Impresa in Dozza S.r.l. - Impresa sociale | G.D S.p.A. | 26 | 6 |
| Measured using the equity method: | | | |
| - S.C. Dico Romania S.r.l. | G.D S.p.A. | 785 | 785 |
| - Tsubaki Flexlink Co. | FLEXLINK | <u>26</u> | <u>67</u> |
| Total investments in associates | | <u>837</u> | <u>858</u> |

The figures shown in the above table reflect the measurement using the equity method of:

- S.C Dico Romania S.r.l., 40% investment held by the subsidiary G.D S.p.A.;
- Tsubaki Flexlink Co, which carries out commercial and after-sales assistance activities and has its registered office in Tokyo; this company is 49% owned by the subsidiary Flexlink AB and became part of Coesia group after the acquisition of Flexlink group.

In 2013, the investment in Fare Impresa in Dozza S.r.l. – Impresa sociale was increased by €20 thousand following the agreement dated 18 April 2013 whereby G.D. S.p.A. agreed to irrevocably waive repayment of the non-interest bearing loan of the same amount.

Investments in other companies:

| | <u>Share/quotaholder</u> | <u>31/12/13</u> | <u>31/12/12</u> |
|---|--------------------------|-----------------|-----------------|
| Measured at cost: | | | |
| - Gudang Garam | G.D S.p.A. | 111 | 111 |
| - Crit S.r.l. | G.D S.p.A. | 52 | 52 |
| - Other sundry | | <u>154</u> | <u>144</u> |
| Total investments in other companies | | <u>317</u> | <u>307</u> |

Financial receivables

Financial receivables due after one year include guarantee deposits of €1,498 thousand.

CURRENT ASSETS

INVENTORY

This caption is comprised as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|--|------------------|-----------------|
| Raw materials, consumables and supplies | 94,873 | 80,634 |
| Work in progress and semi-finished products | 435,960 | 377,532 |
| Contract work in progress | 17,977 | 12,748 |
| Finished goods | <u>56,766</u> | <u>60,403</u> |
| | 605,576 | 531,317 |
| (less) Provision for the write-down of inventory | <u>(103,991)</u> | <u>(96,510)</u> |
| | 501,585 | 434,807 |
| Payments on account | <u>3,466</u> | <u>3,053</u> |
| Total | <u>505,051</u> | <u>437,860</u> |

The change in inventory on the previous year, including translation differences, amounts to €67,191 thousand, net of the €7,481 thousand increase in the provision for the write-down of inventory. Inventory grew by €12,035 thousand and the provision for the write-down of

inventory by €3,880 thousand following the acquisition of IPI group.

On a like-for-like basis in the consolidation scope, the increase in inventory over the previous year is mainly due to timing differences in deliveries and orders. The provision for the write-down of inventory is accrued to reflect obsolete, slow-moving and/or excess inventory with respect to normal requirements.

RECEIVABLES

Trade receivables

Trade receivables exclusively relate to the group's industrial activities and are stated net of the provision for bad debts (€26,802 thousand; 31 December 2012: €20,881 thousand).

There are no receivables due after one year (31 December 2012: €4,412 thousand). The decrease on the previous year is mainly due to the different timing of collections.

As a result of the change in the consolidation scope following the acquisition of IPI S.r.l., this caption increased by €13,397 thousand.

Receivables from parents

This caption of €185 thousand refers to the Italian group companies' IRES credit from the ultimate parent Is.Co. S.r.l. as the consolidating party for the national tax consolidation scheme of which they are part.

Receivables from unconsolidated subsidiaries

The balance refers to loan receivables from the subsidiary Lesina Autonoleggi S.r.l. (€85 thousand) and trade receivables from the subsidiaries Lesina Autonoleggi S.r.l. (€7 thousand and Ctai Kids S.r.l. (€470 thousand).

Receivables from associates

This amount relates to receivables due from the following companies:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|--------------------------------|-----------------|-----------------|
| - Fare Impresa in Dozza S.r.l. | 30 | 20 |
| - S.C Dico Romania S.r.l. | <u>76</u> | <u>38</u> |
| Total | <u>106</u> | <u>58</u> |

The amount due from S.C Dico Romania S.r.l. relates to trade receivables, while the amount due from Fare Impresa in Dozza S.r.l. relates to a short-term loan which accrues interest at market rates.

Tax receivables and deferred tax assets

This caption is comprised as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|---------------------------------|-----------------|-----------------|
| Tax receivables: | | |
| - VAT | 20,864 | 20,475 |
| - current and prior year income | 5,544 | 3,129 |
| - other | <u>2,121</u> | <u>1,137</u> |
| Total | <u>28,529</u> | <u>24,741</u> |
| Deferred tax assets | <u>59,697</u> | <u>62,792</u> |

Deferred tax assets and the provision for deferred tax liabilities are recognised on the temporary differences between the balance sheet values of assets and liabilities and their amounts for tax purposes, as well as on consolidation adjustments. Deferred tax assets primarily relate to recognised taxed provisions and unrealised intercompany profits. They have been recognised since their realisation is reasonably certain. Deferred tax liabilities have been calculated using the rate that substantially reflects the tax charge expected in upcoming years based on current legislation (IRES 27.5% and IRAP 3.9% for Italian

companies).

Receivables from others

Such caption, which does not include amounts due after one year, is composed as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|--|-----------------|-----------------|
| From others: | | |
| - from employees | 1,311 | 1,023 |
| - financial receivables from third parties | 14 | 14 |
| - payments on account | 3,017 | 2,411 |
| - other | 6,378 | 4,007 |
| (Less) provision for bad debts | <u>(139)</u> | <u>(143)</u> |
| Total | <u>10,581</u> | <u>7,312</u> |

CURRENT FINANCIAL ASSETS

This caption is composed as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|--------------------|-----------------|-----------------|
| <u>Securities:</u> | | |
| Foreign securities | <u>193</u> | <u>6,891</u> |
| Total | <u>193</u> | <u>6,891</u> |

The recognised amount is substantially in line with market values at year end. The change on 2012 is due to the reclassification of financial assets to liquid funds in order to more correctly classify such amounts.

LIQUID FUNDS

This caption is composed as follows (in thousands of Euros):

| | Balance at | |
|-----------------------------------|-----------------|-----------------|
| | <u>31/12/13</u> | <u>31/12/12</u> |
| Bank and postal accounts | 222,979 | 272,509 |
| Cash-in-hand and cash equivalents | <u>734</u> | <u>764</u> |
| Total | <u>223,713</u> | <u>273,273</u> |

The change in liquid funds is detailed in the annexed cash flow statement.

PREPAYMENTS AND ACCRUED INCOME

This caption is comprised as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|------------------------------|-----------------|-----------------|
| Accrued income: | | |
| - other | 104 | 185 |
| - technical assistance fees | <u>1,171</u> | <u>0</u> |
| | <u>1,275</u> | <u>185</u> |
| Prepayments: | | |
| - invoiced lease prepayments | 1,205 | 1,675 |
| - maintenance instalments | 1,264 | 503 |
| - rent | 656 | 993 |
| - insurance | 3,180 | 3,145 |
| - patents | 313 | 391 |
| - other | <u>1,233</u> | <u>1,969</u> |
| | <u>7,851</u> | <u>8,676</u> |
| Total | <u>9,126</u> | <u>8,861</u> |

LIABILITIES

NET EQUITY

Pursuant to article 2427.18/19 of the Italian Civil Code, at 31 December 2013, the parent had not issued any dividend-right shares, bonds convertible into shares or other financial instruments offering holders equity or participation rights. Changes in net equity are shown in an annex to these notes.

SHARE/QUOTA CAPITAL

Share capital recognised in the consolidated financial statements at 31 December 2013 represents the share capital (fully subscribed and paid-up) of the parent Coesia S.p.A. and is comprised of 125,000,000 ordinary shares with a nominal value of €1 each.

REVALUATION RESERVES, OTHER RESERVES AND RETAINED EARNINGS

Revaluation reserves amount to €86,135 thousand and are partially taxable on distribution.

SHARE CAPITAL AND RESERVES - MINORITY INTERESTS

This caption mainly consists of the portion of net equity relating to the minority shareholders of Volpak Techgen Packaging Machineries Company Ltd, which is 51% owned by the group, and that relating to the minority shareholders of IPI Asia Pacific, which is 49% owned by the group, but which is consolidated on a line-by-line basis since the parent Ipi S.r.l. exercises significant influence over it.

PROVISIONS FOR RISKS AND CHARGES

These provisions are composed as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|--|-----------------------|-----------------------|
| Tax provision, including deferred tax liabilities | <u>25,954</u> | <u>26,620</u> |
| Other: | | |
| - provision for product warranties and installations | 79,025 | 76,624 |
| - other provisions | <u>24,918</u> | <u>33,054</u> |
| Total other | <u>103,943</u> | <u>109,678</u> |
| Total | <u><u>129,897</u></u> | <u><u>136,298</u></u> |

Deferred tax liabilities are accrued mainly in relation to:

- financial statements captions (gains on the sale of assets and grants related to income) which are subject to deferred taxation in accordance with current tax legislation;
- the tax effect of the recognition of leases using the financial method.

The provision for product warranties and installations and other provisions mainly reflect charges for work carried out under warranty and installation to be incurred after the balance sheet date but relating to machinery sold before that date, as well as prudently estimated charges for contract risks and losses on group production activities.

The provision for other risks and charges also includes the €257 thousand accrual to the provision for losses on investments in order to adjust the carrying amount of the investment in Ctai Kids S.r.l. to the net deficit shown in the investee's 2013 financial statements, currently being approved.

Certain subsidiaries have provided for defined benefit pension plans and private health care policies for their employees. The liability stated in the consolidated financial statements, €16,061 thousand of which relates to Flexlink group and the subsidiary R.A

Jones & Co., has been calculated in accordance with local accounting principles, which are substantially in line with IFRS.

Employees' leaving entitlement

Changes during the year are as follows (in thousands of Euros):

| | |
|--|----------------------|
| Balance at 31/12/12 | 31,424 |
| Accrual for the year | 8,713 |
| Utilisation for entitlements and advances paid, payment to the INPS fund and supplementary pension funds | <u>(9,486)</u> |
| Balance at 31/12/13 | <u><u>30.651</u></u> |

Following the pension reform introduced with effect from 1 July 2007, accruing employees' leaving entitlement is transferred to INPS (the Italian social security institution) pension funds, sector funds or authorised private funds depending on the employee's choice. However, employees' leaving entitlement already accrued when the employee made the decision remains with the company and is revalued annually.

Bonds and payables to the parent

The €100,000 thousand bond issue subscribed on 1 July 2006 by the majority shareholder is repayable in one payment on 30 June 2018. The parent Coesia S.p.A. has the right to redeem a portion or all of the outstanding bonds in advance once the eighteenth month and a day from issue have passed, following the resolution of the shareholders during an ordinary meeting. The parent Coesia S.p.A. may not exercise this option until the loans totalling €335 million obtained to finance the purchases of Flexlink group, R.A Jones & Co. and IPI group have been repaid, pursuant to contractual undertakings. Further information is provided in the note to bank loans and borrowings. This bond accrues interest at an annual rate of 4.5% and interest is payable on 30 June of each year for the term of the issue beginning in 2007.

Shareholder loans

At 31 December 2013, this caption totals €10,000 thousand and relates to Coesia S.p.A.'s loan payables to the parent Is.Co S.r.l. for the 12-month loan granted by the latter on 2 December 2013. Interest accrues quarterly at market rates.

Bank loans and borrowings

This caption is composed as follows:

| | Balance at 31/12/13 | | | | Balance at 31/12/12 |
|--|------------------------------|-------------------------------------|-------------------------------|---------|---------------------------|
| | Due within one year | Due from one to five years | Due after five years | Total | |
| Current account overdraft | 4,525 | | | 4,525 | 2,989 |
| Loans – Coesia | 10,000 | 325,000 | | 335,000 | 347,000 |
| Advances and other loans in foreign currency and in Euros | 14,669 | | | 14,669 | 12,666 |
| G.D, Coesia, Sasib and IPI loans Volpak, Norden, GD Brazil, GD Turkey and Flexlink loans | 8,027 | 778 | | 8,805 | 38,484 |
| | 29,223 | 5,361 | | 34,584 | 46,888 |
| Total | 66,444 | 331,139 | 0 | 397,583 | 448,027 |

Changes in the group's liquid funds are shown in the annexed cash flow statement and discussed in the directors' report.

Coesia's loans total €335,000 thousand and were agreed to finance the 2012 acquisitions of Flexlink group and R.A Jones & Co. Inc. and the acquisition of IPI S.r.l. in October 2013.

In July 2013, Coesia completed a debt restructuring process for credit lines and loans granted in 2012 by leading Italian banks to finance the acquisitions of Flexlink group and

R.A Jones & Co. Inc.. This process entailed the partial rescheduling of five-year due dates, which were postponed to 2018.

Accordingly, at 31 December 2013, Coesia's bank loans and borrowings due after one year amount to €325 million, including €120 million due in October 2018 and €205 million due in October 2015. The latter are three-year loans entailing a 24-month grace period and half-yearly repayments, which, along with the 18-month bullet loan of €10 million, were granted on 10 December 2012 to finance the acquisition of R.A. Jones & Co..

The loans falling due in October 2018 of €120 million are committed revolving credit facilities with periodic repayment options defined when they are drawn down. They are granted at market rates. When repayment of the drawdown is due, the company has the power to renew the drawdown until October 2018.

The Coesia loan, with an outstanding payable of €6,826 thousand due within one year, was taken out on 1 July 2009 to finance the acquisition of Norden group. The loan term expires on 31 July 2014 and is repayable in quarterly instalments starting from 31 October 2010. Early repayment is permitted with no penalty. Such loan accrues interest at market rates.

At 31 December 2013, IPI S.r.l. has four medium/long-term loans totalling €1,621 thousand, €778 thousand of which due after one year.

Loans include the foreign currency loan agreed by the subsidiary Flexlink Holding AB in February 2012 with Nordea Bank, amounting to USD30,000 thousand and falling due in August 2014. Outstanding principal amounts to €22,000 thousand.

Furthermore, this caption includes a loan payable of Norden group with Nordea Bank totalling €2,675 thousand, €1,908 thousand of which due after one year.

The main change in loans on the previous year relates to G.D Brazil's repayment of a subsidised financing during the year for a total of €8,833 thousand.

Loans and borrowings from other financial backers

This caption is comprised as follows:

| Lender | Type | Balance at 31/12/13 | | | Total | Balance at 31/12/12 |
|----------------------|------------------|------------------------------|--|----------------------------|---------------|---------------------------|
| | | Due within one year | Due from one to five years | Due after five years | | |
| Min. Industry – ACMA | Law no. 46/82 | | | | 0 | 126 |
| Min. Industry – GDM | Law no. 46/82 | 438 | 1,401 | | 1.839 | 2,264 |
| Lease companies | Leases | 2,001 | 7,679 | 23,295 | 32,975 | 29,328 |
| Total | | 2,439 | 9,080 | 23,295 | 34,814 | 31,718 |

The €32,975 thousand payable to lease companies relates to the group's financial exposure in terms of outstanding principal for the lease of machinery and buildings with purchase options. The leases have been recognised in the consolidated financial statements using the financial method, which has entailed the recognition of the value of assets and the related accumulated depreciation commensurate with their residual useful lives under tangible fixed assets, the residual payable under liabilities and the interest expense and depreciation of the year in the profit and loss account. Leases on property have been agreed at floating interest rates.

Loans granted by the Ministry of Industry, Commerce and Handicraft have been disbursed as per Law no. 46 of 1982 for costs incurred to design and develop various technological development projects.

Payments on account and trade payables

The change on the previous year, net of the €8,746 thousand increase due to the acquisition of IPI group, is mainly due to the different timing of orders and deliveries.

Payables to unconsolidated subsidiaries

This caption includes trade payables of €124 thousand due to Ctai Kids S.r.l. and €83 thousand due to the subsidiary Lesina Autonoleggi S.r.l..

Payables to associates

This caption includes trade payables of €194 thousand due to S.C. Dico Romania S.r.l. and €13 thousand due to Fare Impresa in Dozza S.r.l..

Payables to the parent

At 31 December 2013, this caption includes interest of €14 thousand accrued on the loan described above in the note to Shareholder loans.

Tax payables

This caption is comprised as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|--------------------|----------------------|----------------------|
| Income taxes | 2,435 | 8,216 |
| IRPEF withholdings | 9,713 | 8,923 |
| VAT payable | 4,010 | 3,071 |
| Other | <u>3,383</u> | <u>2,572</u> |
| Total | <u><u>19,541</u></u> | <u><u>22,782</u></u> |

Tax payables are shown net of withholdings, tax exemption on dividends and advances.

Following the acquisition of the subsidiary IPI S.r.l., tax payables increased by €454 thousand.

Group management does not believe that the years open to inspection for the parent and its main subsidiaries at the balance sheet date (2009 and subsequent years for Italian

companies with regard to both direct and indirect taxes) will lead to any significant liabilities not shown in the consolidated financial statements.

Other payables

This caption is comprised as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|----------------------------------|-----------------|-----------------|
| Due to employees: | | |
| - wages and salaries | 24,698 | 26,677 |
| - holidays accrued but not taken | 12,202 | 10,371 |
| - other | 1,815 | 852 |
| | <u>38,715</u> | <u>37,900</u> |
| Due to agents | 11,180 | 9,919 |
| Other | 18,137 | 6,845 |
| | <u>29,317</u> | <u>16,764</u> |
| Total | <u>68,032</u> | <u>54,664</u> |

Following the acquisition of the subsidiary IPI S.r.l., payables for wages and salaries increased by €214 thousand, while payables for accrued holidays not taken increased by €388 thousand.

The increase in payables to others is mainly due to the residual price that Coesia S.p.A. owes for the acquisition of IPI S.r.l. totalling €9,000 thousand and due in two instalments of €4,500 thousand each within one month of approval of the 2013 and 2014 financial statements by the subsidiary's shareholders, respectively, and, in any case, not after 30 June 2014 and 2015, respectively.

ACCRUED EXPENSES AND DEFERRED INCOME

This caption is comprised as follows:

| | <u>31/12/13</u> | <u>31/12/12</u> |
|--|-----------------|-----------------|
| Accrued expenses: | | |
| - interest expense on bond issue | 2,250 | 2,250 |
| - interest expense on financial payables | 1,157 | 1,128 |
| - other | 350 | 394 |
| | <u>3,757</u> | <u>3,772</u> |
| Deferred income: | | |
| - interest from customers | 74 | 464 |
| - services invoiced but not provided | 2,268 | 2,426 |
| - other | 523 | 205 |
| | <u>2,865</u> | <u>3,095</u> |
| Total accrued expenses and deferred income | <u>6,622</u> | <u>6,867</u> |

Deferred income for services invoiced but not provided relates to long-term contracts agreed with customers for the supply of spare parts and maintenance services (APS) or services invoiced but not yet provided.

MEMORANDUM AND CONTINGENCY ACCOUNTS

Personal guarantees given

As indicated at the foot of the financial statements, sureties mainly relate to those given by banks in favour of customers to guarantee the correct functioning of machinery or to guarantee supplies. They also relate to guarantees given to the VAT office for reimbursements received by group companies.

Commitments

Pursuant to article 2427-bis of the Italian Civil Code, at 31 December 2013, this caption

includes the notional value of €24.9 million for forward purchases in various currencies, particularly the Euro, the US dollar and the Japanese yen, hedging trading transactions carried out mainly by the Flexlink group companies and the subsidiary G.D.M. S.p.A..

The fair value loss of these transactions at 31 December 2013 is approximately €25 thousand, which has not been recognised since they are hedges.

The following transactions are also in place at 31 December 2013:

- an interest rate swap agreed in 2010 to hedge the construction lease of the multi-functional building described earlier, with decreasing notional values. At 31 December 2013, it amounts to €22,723 thousand, with a floor of 2.48% and a cap of 4.5%. The swap has no effects if the 3-month Euribor falls within a range of 2.48% and 4.5%. The fair value loss of this transaction at 31 December 2013 is €1,633 thousand, which has not been recognised since it is a hedge.

Finally, there are three interest rate swaps in place with Mediobanca, BNL and Unicredit, which the parent agreed on 21 December 2012 in relation to the acquisition of the subsidiary R.A Jones & Co. Inc.:

- Mediobanca: a swap with decreasing notional value, totalling €25,000 thousand at 31 December 2013, starting from 11 March 2013 and expiring on 26 October 2015. The swap provides for the quarterly payment/collection of the difference between the 3-month Euribor and fixed rate of 0.37%.
- BNL: a swap with decreasing notional value, totalling €70,000 thousand at 31 December 2013, starting from 11 March 2013 and expiring on 26 October 2015. The swap provides for the quarterly payment/collection of the difference between the 3-month Euribor and the fixed rate of 0.38%.
- Unicredit: a swap with decreasing notional value, totalling €55,000 thousand at 31 December 2013, starting from 10 June 2013 and expiring on 26 October 2015. The

swap provides for the six-monthly payment/collection of the difference between the 6-month Euribor and the fixed rate of 0.5670%.

The fair value loss of these transactions at 31 December 2013 is approximately €168 thousand, which has not been recognised since they are hedges.

Contingencies

This caption includes the following:

Discounted bills not yet due these are discounted bills with banks, mainly in relation to transactions carried out under Law no. 1329/65 (the Sabatini Law) and the portion of receivables covered by the SACE policies and factored with recourse to banks.

Third-party assets with the group companies: the value of third-party assets held by Coesia group companies, specifically, the subsidiaries Acma S.p.A. , Sasib S.p.A. Cima S.p.A. and IPI S.r.l., for a total of €12,439 thousand.

PROFIT AND LOSS ACCOUNT

PRODUCTION REVENUES

TURNOVER FROM SALES AND SERVICES

Turnover from sales and services is composed as follows:

| | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|
| - Turnover from sales: | | |
| -- machinery | 753,504 | 660,936 |
| -- spare parts, groups and moulds - gears | 510,782 | 392,356 |
| | <u>1,264,286</u> | <u>1,053,292</u> |
| - Turnover from services | 105,083 | 145,625 |
| | <u>1,369,369</u> | <u>1,198,917</u> |

Revenue increased by €115.7 million on the previous year due to the acquisition of R.A Jones & Co, whose profit and loss account was consolidated on a line-by-line basis from

2013.

Turnover from sales and services is broken down below by geographical area (in millions of Euros):

| | <u>2013</u> | <u>2012</u> |
|------------------------|----------------|----------------|
| Italy | 35.7 | 41.0 |
| Europe | 416.3 | 397.3 |
| North America | 251.7 | 153.0 |
| South America | 77.7 | 108.8 |
| Asia and rest of world | <u>588.0</u> | <u>498.8</u> |
| Total | <u>1,369.4</u> | <u>1,198.9</u> |

CHANGE IN CONTRACT WORK IN PROGRESS

Contract work in progress includes certain long-term contracts which, as mentioned in the accounting policies section of these notes, are stated using the percentage of completion method.

PRODUCTION COST

SERVICES

This caption is composed as follows:

| | <u>2013</u> | <u>2012</u> |
|--|----------------|----------------|
| - Third party processing | 122,310 | 114,484 |
| - Maintenance | 10,206 | 7,903 |
| - Utilities (electricity, water and heating) | 7,475 | 6,273 |
| - Other utilities | 7,904 | 4,395 |
| - Commission expense | 15,653 | 16,162 |
| - Advertising, promotions, trade fairs and entertainment | 13,672 | 9,122 |
| - Technical, design, legal, tax, notary and administrative consultancy and IT services | 46,722 | 34,908 |
| - Travel expenses for installers and installations carried out by third parties on the group's behalf and other employee travel expenses | 45,194 | 41,926 |
| - Transport | 27,474 | 26,634 |
| - Company bodies' fees | 5,995 | 6,351 |
| - Patent expenses | 3,449 | 2,885 |
| - Insurance premiums | 3,915 | 3,882 |
| - Other production and general expenses | 40,929 | 45,492 |
| Total | <u>350,898</u> | <u>320,417</u> |

Company bodies' fees include €4,906 thousand in relation to fees paid to the directors of the parent Coesia S.p.A. by group companies (including the amount paid by the parent) and €293 thousand in relation to fees paid to members of the parent's board of statutory auditors.

The change in costs on the previous year is mainly due to business volumes and the different timing of production, the installation of machines and the internal/external production mix.

PERSONNEL EXPENSES

These costs are already broken down in the profit and loss account.

The composition of employees by category at year end is provided below:

| | <u>31/12/2013</u> | <u>31/12/2012</u> | <u>2013 average</u> |
|---------------|-------------------|-------------------|---------------------|
| Management | 339 | 301 | 325 |
| White collars | 4,093 | 3,809 | 4,031 |
| Blue collars | <u>1,487</u> | <u>1,354</u> | <u>1,398</u> |
| Total | <u>5,919</u> | <u>5,464</u> | <u>5,754</u> |

The number of employees increased by 136 at year end due to the acquisition of IPI S.r.l..

FINANCIAL INCOME AND CHARGES

OTHER FINANCIAL INCOME

Other income

This caption includes the following:

| | <u>2013</u> | <u>2012</u> |
|--|---------------|--------------|
| Interest and other income: | | |
| - Bank interest income | 1,993 | 3,416 |
| - Interest income from customers | 1,363 | 2,262 |
| - Other interest and financial income | <u>7,254</u> | <u>433</u> |
| | 10,610 | 6,111 |
| Interest income from unconsolidated subsidiaries | 2 | - |
| Interest income from unconsolidated associates | <u>-</u> | <u>2</u> |
| Total | <u>10,612</u> | <u>6,113</u> |

The increase in other interest income and other financial income includes income of €7,127 million from the valuation of the pension funds of R.A Jones & Co and of certain Flexlink group companies at that date.

INTEREST AND OTHER FINANCIAL CHARGES

“Other” is composed as follows:

| | <u>2013</u> | <u>2012</u> |
|---|---------------|---------------|
| - Interest expense on the bond issue | 4,500 | 4,500 |
| - Bank charges | 1,583 | 1,649 |
| - Bank interest expense on loans and borrowings | 12,694 | 8,926 |
| - Interest expense to lease companies and other financial | 293 | 206 |
| backers | | |
| - Discount interest expense | 1,185 | 1,126 |
| - Other | <u>159</u> | <u>355</u> |
| Total | <u>20,414</u> | <u>16,762</u> |

The increase in bank interest expense is largely due to that paid by Coesia S.p.A. to the banks that most recently financed the acquisition of the subsidiary IPI S.r.l. and, in 2012, the acquisitions of R.A Jones & Co. Inc. and Flexlink group, as well as the interest paid by the latter on the loan of an initial USD30,000 thousand, described above in the note to bank loans and borrowings.

EXCHANGE RATE GAINS AND LOSSES

This caption is comprised as follows:

| | <u>2013</u> | <u>2012</u> |
|------------------------|-----------------|-----------------|
| - Exchange rate gains | 7,093 | 2,981 |
| - Exchange rate losses | <u>(14,871)</u> | <u>(11,272)</u> |
| Total | <u>(7,778)</u> | <u>(8,291)</u> |

Write-downs of investments

This caption includes the write-down for the impairment of the subsidiary Ctai Kids S.r.l..

EXTRAORDINARY INCOME AND EXPENSE

Expense

This caption mainly includes expense of €1,421 thousand for the correction of errors relating to previous years, Coesia S.p.A.'s payment of €500 thousand to the MAST Foundation to set up its endowment and expense of €210 thousand for the subsidiary ACMA S.p.A.'s restructuring.

Furthermore, donations were reclassified to caption B 14 of the profit and loss account. They mainly relate to those to the Hospice Maria Teresa Chiantore Seragnoli Foundation and were, in previous years, classified in extraordinary expense. They amounted to €1,155 thousand (2012: €1,696 thousand).

INCOME TAXES

This caption consists of current taxes amounting to €61,101 thousand and net deferred tax expense of €133 thousand, net of deferred tax income. With respect to Italian companies, deferred taxes were calculated based on the ruling IRES and IRAP rates of 27.5% and 3.9%, respectively.

ANNEXES

These annexes are an integral part of these notes. Their purpose is to provide additional information.

The following information is included in these annexes:

- Statement of intangible fixed assets at 31 December 2013 (Annex I);
- Statement of tangible fixed assets at 31 December 2013 (Annex II);
- Statement indicating the revaluation of assets still on the books in accordance with article 10 of Law no. 72/83 (Annex III);

- List of consolidated investments (Annex IV);
- Statement of changes in consolidated net equity at 31 December 2011, 2012 and 2013 (Annex V);
- Consolidated cash flow statement for the years ended 31 December 2013 and 2012 (Annex VI)

These financial statements provide a true and fair view and are consistent with the accounting records.

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli

(signed on the original)

STATEMENT OF INTANGIBLE FIXED ASSETS
AT 31 DECEMBER 2013
(in thousands of Euros)

| | Balance at 31 December 2012 | | | Changes during the year | | | | | Balance at 31 December 2013 | | |
|---|-----------------------------|------------------|----------------|-------------------------|----------------|-----------------|-------------------------------|------------------------|-----------------------------|------------------|----------------|
| | Historical | Accumulated | Carrying | Increase | Decrease | Amortisation | Change in consolidation scope | Translation difference | Historical | Accumulated | Carrying |
| | cost | amortisation | amount | | | | | | cost | amortisation | amount |
| Start-up and capital costs | 1,354 | (1,223) | 131 | 0 | 0 | (5) | 0 | 0 | 1,354 | (1,228) | 126 |
| Industrial patents and intellectual property rights | 11,993 | (10,615) | 1,378 | 547 | 0 | (353) | 18 | 7 | 12,565 | (10,968) | 1,597 |
| Software licences | 21,969 | (19,997) | 1,972 | 1,916 | 27 | (972) | 12 | (481) | 23,443 | (20,969) | 2,474 |
| Application software | 10,796 | (9,873) | 923 | 458 | (31) | (567) | 0 | (16) | 10,640 | (9,873) | 767 |
| Trademarks | 13,490 | (1,349) | 12,141 | | | (1,338) | | 31 | 13,521 | (2,687) | 10,834 |
| Goodwill | 352,965 | (22,189) | 330,776 | 347 | (1,537) | (34,742) | 0 | (12,175) | 339,600 | (56,931) | 282,669 |
| Goodwill arising on consolidation | 210,795 | (148,265) | 62,530 | 22,226 | 0 | (9,187) | 0 | (95) | 232,926 | (157,452) | 75,474 |
| Other: | | | | | | | | | | | |
| - Participation in moulds | 5,074 | (4,954) | 120 | 80 | 0 | (108) | 0 | 1 | 5,047 | (4,954) | 93 |
| - Leasehold improvements | 8,551 | (6,501) | 2,050 | 201 | (43) | (576) | 0 | (33) | 8,100 | (6,501) | 1,599 |
| - Other | 6,623 | (2,925) | 3,698 | 2,916 | 0 | (1,816) | 387 | (14) | 8,096 | (2,927) | 5,169 |
| Total other | 20,248 | (14,380) | 5,868 | 3,197 | (43) | (2,500) | 387 | (46) | 21,243 | (14,382) | 6,861 |
| TOTAL | 643,610 | (227,891) | 415,719 | 28,691 | (1,584) | (49,664) | 417 | (12,775) | 655,292 | (274,490) | 380,802 |
| Assets under development and payments on account | 2,978 | | 2,978 | 4,699 | 0 | 0 | 0 | 0 | 7,677 | | 7,677 |
| TOTAL INTANGIBLE FIXED ASSETS | 646,588 | (227,891) | 418,697 | 33,390 | (1,584) | (49,664) | 417 | (12,775) | 662,969 | (274,490) | 388,479 |

STATEMENT OF TANGIBLE FIXED ASSETS
AT 31 DECEMBER 2013
(in thousands of Euros)

| | Balance at 31 December 2012 | | | Changes during the year | | | | | | Balance at 31 December 2013 | | |
|--|-----------------------------|--------------------------|---------------------|-------------------------|-----------------|-------------------------------|------------------------|----------------|--------------|-----------------------------|--------------------------|---------------------|
| | Cost | Accumulated depreciation | Balance at 31/12/12 | Increase | Depreciation | Change in consolidation scope | Translation difference | Disposals | | Cost | Accumulated depreciation | Balance at 31/12/13 |
| | | | | | | | | Cost | Acc. depr. | | | |
| Land and buildings | 202,215 | (74,579) | 127,636 | 5,861 | (5,850) | 6,199 | (949) | (1,273) | 308 | 219,997 | (88,065) | 131,932 |
| Fixed plant | 21,925 | (14,717) | 7,208 | 923 | (1,314) | 4,611 | (74) | (40) | 35 | 36,276 | (24,927) | 11,349 |
| Machinery | 185,167 | (168,847) | 16,320 | 3,377 | (4,744) | 3,204 | (245) | (1,399) | 1,114 | 193,612 | (175,985) | 17,627 |
| Tools and equipment | 40,738 | (33,773) | 6,965 | 2,574 | (2,497) | 84 | (627) | (633) | 576 | 21,840 | (15,398) | 6,442 |
| Models and moulds | 11,084 | (10,264) | 820 | 284 | (373) | 0 | (31) | 0 | 0 | 10,472 | (9,772) | 700 |
| Office furniture and fittings | 22,434 | (18,528) | 3,906 | 2,285 | (1,003) | 57 | 369 | (735) | 698 | 22,532 | (16,955) | 5,577 |
| Electronic accounting machines | 36,425 | (32,481) | 3,944 | 2,880 | (1,913) | 119 | (25) | (1,131) | 1,125 | 37,640 | (32,641) | 4,999 |
| Vehicles | 5,507 | (3,934) | 1,573 | 564 | (565) | 36 | (63) | (275) | 211 | 5,778 | (4,297) | 1,481 |
| TOTAL | 525,495 | (357,123) | 168,372 | 18,748 | (18,259) | 14,310 | (1,645) | (5,486) | 4,067 | 548,147 | (368,040) | 180,107 |
| Assets under construction and payments on account | 42,532 | | 42,532 | 26,646 | 0 | 0 | (13) | (127) | 0 | 69,038 | 0 | 69,038 |
| TOTAL TANGIBLE FIXED ASSETS | | | 210,904 | 45,394 | (18,259) | 14,310 | (1,658) | (5,613) | 4,067 | 617,185 | (368,040) | 249,145 |

**STATEMENT INDICATING THE REVALUATION OF ASSETS STILL ON THE BOOKS AT
31 DECEMBER 2013 IN ACCORDANCE WITH ARTICLE 10 OF LAW NO. 72/83**
(in thousands of Euros)

| | Law no. 576/75 | Law no. 72/83 | Law no. 413/91 | Law no. 342/00 | Law no. 350/03 | Law no. 266/05 | Other | Total |
|------------------------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-----------|---------------|
| Tangible fixed assets: | | | | | | | | |
| Land and buildings | 12 | 180 | 443 | - | 777 | - | 28 | 1,440 |
| Fixed plant | - | - | - | - | - | - | - | - |
| Machinery | 15 | 293 | - | 17,475 | 26,464 | 25,904 | - | 70,151 |
| Furniture | - | 107 | - | - | - | - | - | 107 |
| Electronic accounting machines | - | 7 | - | - | - | - | - | 7 |
| Tools and equipment | 1 | 8 | - | - | - | - | - | 9 |
| Models | 3 | 32 | - | - | - | - | - | 35 |
| Vehicles | - | - | - | - | - | - | - | - |
| Total tangible fixed assets | 31 | 627 | 443 | 17,475 | 27,241 | 25,904 | 28 | 71,749 |

Annex IV

LIST OF CONSOLIDATED INVESTMENTS

| COMPANY | REGISTERED OFFICE | SHARE/QUOTA CAPITAL | % OF OWNERSHIP | |
|---|-------------------------------------|---------------------|----------------|----------|
| | | | DIRECT | INDIRECT |
| Consolidated companies: | | | | |
| Acma S.p.A. | Bologna | €9,300,000 | 100.00% | |
| C.I.M.A. S.p.A. | Villanova (Bologna) | €4,810,000 | 100.00% | |
| Comesca S.r.l. | Scarperia (Florence) | €41,600 | | 100.00% |
| G.D Automatic Machinery Ltd | Berkshire (UK) | LST10,000 | | 100.00% |
| G.D Automatic Packaging Equipment CJSC | Moscow (Russia) | RUB2,500,000 | | 100.00% |
| G.D Automatische Verpackungsmaschinen GmbH | Langenfeld (Germany) | €511,292 | | 100.00% |
| G.D China Automatic Machinery Ltd | Hong Kong | HKD10,000 | | 100.00% |
| G.D Do Brasil Maquinas de Embalar Ltda | San Paolo (Brazil) | USD12,490,926 | | 100.00% |
| G.D Industrie S.r.l. | Bologna | €2,600,000 | | 100.00% |
| Sasib S.p.A. | Castel Maggiore (Bologna) | €1,746,870 | | 100.00% |
| G.D Jidokikai K.K. | Tokyo (Japan) | JPY98,000,000 | | 100.00% |
| G.D Machinery South East Asia Pte Ltd. | Singapore | SGD200,000 | | 100.00% |
| G.D USA Inc. | Richmond (USA) | USD500,000 | | 100.00% |
| G.D S.p.A. | Bologna | €4,000,000 | 100.00% | |
| G.D.M. S.p.A. | Bologna | €1,500,000 | 100.00% | |
| Industrial Estate | London (UK) | GBP100 | | 100.00% |
| Montale 164 S.p.A. (formerly Jobs S.p.A.) | Piacenza | €137,405 | 100.00% | |
| Nova Prefabbricati S.r.l. | Bologna | €15,000 | | 100.00% |
| Nuove Iniziative Industriali S.r.l. | Bologna | €98,800 | | 100.00% |
| TOCECO Ltd | Hong Kong | HKD10,000 | | 100.00% |
| TOCECO International Trading Ltd | Shanghai (China) | HKD1,569,026 | | 100.00% |
| Volpak SA | Barcelona (Spain) | €9,900,000 | 100.00% | |
| PT G.D Indonesia | Indonesia | USD290,000 | | 100.00% |
| ATS Engineering S.r.l. | Pescara | €16,500 | | 100.00% |
| Hapa AG | Volketswill (Switzerland) | CHF1,000,000 | 100.00% | |
| Hapa & Laetus Inc. | Richmond (USA) | USD100 | | 100.00% |
| Laetus GmbH | Halsbach - Hahnlein (Germany) | €25,000 | 100.00% | |
| Laetus France Sarl | Paris (France) | €20,000 | | 100.00% |
| Laetus Mexico S. de RL de CV | Mexico City (Mexico) | MXN322,500 | 100.00% | |
| Laetus Italia S.r.l. | Bologna | €50,000 | | 100.00% |
| Group Service S.r.l. | Bologna | €50,000 | 100.00% | |
| Volpak Techgen Packaging Machineries Company Ltd | Shijiazhuang Hebei Province (China) | €650,000 | | 51.00% |
| GD Teknik Hizmetler ve Ticaret Ltd Sirketi | Izmir (Turkey) | TRY500,000 | | 100.00% |
| Norden Machinery AB | Kalmar (Sweden) | SEK17,336,575 | 100.00% | 100.00% |
| Norden UK Ltd | Baldock (England) | GBP15,000 | | 100.00% |
| Franssons Maskinbearbetning AB | Sweden | SEK200,000 | | 100.00% |
| Citus Kalix Sas | Evry (France) | €7,193,040 | | 100.00% |
| ADMV Sas | Bourgoin Jallieu (France) | €64,000 | | 100.00% |
| Sacmo Sa | Saint-Quentin (France) | €1,028,170 | | 100.00% |
| Coesia Health & Beauty Inc. | New Jersey (US) | USD447,000 | | 100.00% |
| Norderm GmbH | Ostfildern (Germany) | €25,564,59 | | 100.00% |
| Sirius Machinery Co Ltd | Suzhou, China | RMB9,678,000 | | 100.00% |
| Tecnomeccanica S.r.l. | Castenaso (Bologna) | €92,444 | | 100.00% |
| A&C S.p.A. (formerly Coesia Packaging Machinery S.p.A.) | Bologna | €120,000 | 100.00% | |
| Coesia India Pvt. Ltd | Maharashtra (India) | INR5,414,850 | | 100.00% |
| 4S Engineering S.r.l. | Bologna | €20,000 | 80.00% | |
| Flexlink Holding AB | Goteborg (Sweden) | SEK3,285,000 | 100.00% | |
| R.A Jones & Co. Inc. | Davenport / Covington (USA) | USD10 | 100.00% | |
| Flexlink AB | Goteborg (Sweden) | SEK1,000,000 | | 100.00% |
| PT Flexlink Systems | Jakarta (Indonesia) | IDR928,000 | | 100.00% |
| Flexlink Systems India Pvt Ltd. | New Delhi (India) | INR100,000 | | 100.00% |
| Flexlink Automation (Shanghai) Co. Ltd. | Shanghai (China) | CNY1,655,000 | | 100.00% |
| Flexlink Systems Polska Sp Zoo | Sady (Poland) | PLN50,000 | | 100.00% |
| Flexlink Systems Russia Llc | St. Petersburg (Russia) | RUB1,000,000 | | 100.00% |
| Flexlink Systems Sro | Prague (Czech Republic) | CZK1,500,000 | | 100.00% |
| Flexlink Systems Espana Sl | Molina del Rei (Spain) | €123,000 | | 100.00% |
| Flexlink Systems Pte Ltd. | Singapore | SGD1 | | 100.00% |
| Flexlink Systems Ltda | Barueri (Brazil) | BRL666,000 | | 100.00% |
| Flexlink Systems Pty Ltd. | Mount Waverley (Australia) | AUD1 | | 100.00% |
| Flexlink Systems Sdn Bhd | Kuala Lumpur (Malaysia) | MYR300,000 | | 100.00% |
| Flexlink Engineering Sdn Bhd | Kuala Lumpur (Malaysia) | MYR500,000 | | 100.00% |
| Flexlink Automation Sdn Bhd | Kuala Lumpur (Malaysia) | MYR300,000 | | 100.00% |
| Flexlink Systems Inc. | Allentown (USA) | USD1,000 | | 100.00% |
| Flexlink Systems Sas | Elancourt (France) | €80,000 | | 100.00% |
| Flexlink Systems (Canada) Inc. | Toronto (Canada) | CAD1,200,000 | | 100.00% |
| Flexlink Systems GmbH | Offenbach an Main (Germany) | €102,000 | | 100.00% |
| Flexlink Systems Ltd. | Milton Keynes (UK) | GBP1,599,000 | | 100.00% |
| Flexlink Systems Kit | Budapest (Hungary) | HUF10,000,000 | | 100.00% |
| Flexlink Systems S.p.A. | Rivoli (Italy) | €306,000 | | 100.00% |
| Flexlink Systems Bv. | Hoofddorp (The Netherlands) | €23,000 | | 100.00% |
| Flexlink Systems Nv. | Heverlee (Belgium) | €62,000 | | 100.00% |
| Flexlink Components Inc | Allentown (US) | USD1,000 | | 100.00% |
| Intramotion LLC | Lviv/Ukraine | UAH471,000 | | 100.00% |
| Oberger Daten- und Systemtechnik GMBH (Obsys) | Offenbach/Germany | €224,000 | | 100.00% |
| G.D South Africa Technical Centre (PTY) Ltd | Johannesburg (South Africa) | ZAR100 | | 100.00% |
| Coesia Korea Co. Ltd | Korea | ₩ON50,000 | | 100.00% |
| IPI S.r.l. | Perugia (Italy) | €13,000,000 | 100.00% | |
| IPI Asia Pacific | Thailand | €49,000 | | 49.00% |
| IPI Ukraine LTD | Ukraine | €9,449 | | 100.00% |
| IPI Beverage Pack Syst. IBE S.L. | Spain | €3,010 | | 100.00% |
| IPI Paketleme San. Ve. Tic. LTD | Turkey | €288,565 | | 100.00% |
| Companies measured using the equity method | | | | |
| S.C. Dico Romania S.r.l. | Comuna Pielesti (Romania) | RON6,190,870 | | 37.73% |
| Tsubaki Flexlink Co. | Tokyo (Japan) | JPY50,000 | | 49.00% |
| Companies measured at cost | | | | |
| Lesina Autonoleggi S.r.l. | Bologna | €15,000 | | 99.00% |

| | | | |
|--|-----------------|-----------|---------|
| Fare Impresa in Dozza S.r.l. - Impresa sociale | Bologna | €20,000 | 30.00% |
| CSCJ Acma Rus | Moscow (Russia) | RUB10,000 | 100.00% |
| Ctai Kids S.r.l. | Bologna (Italy) | 250,000 | 100.00% |

Annex V

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 31 DECEMBER 2011, 2012 AND 2013

(in thousands of Euros)

| | SHARE CAPITAL | STATUTORY RESERVE | LEGAL RESERVE | REVALUATION RESERVE | RESERVE FOR OWN SHARES | RESERVE FOR GRANTS | OTHER RESERVES | RETAINED EARNINGS | TRANSLATION RESERVE | NET PROFIT FOR THE YEAR | TOTAL |
|--|------------------|----------------------|------------------|------------------------|---------------------------------|--------------------------|-------------------|----------------------|------------------------|----------------------------|----------------|
| Consolidated net equity at 31 December 2010 | 125,000 | 0 | 10,761 | 86,135 | 0 | 0 | 0 | (28,864) | 23,527 | 33,059 | 249,618 |
| Allocation of net profit for 2010 | | | 665 | | | | | 32,394 | | (33,059) | 0 |
| Reclassification under reserves | | | | | | | | | 0 | | 0 |
| Translation difference | | | | | | | | | 792 | | 792 |
| Other changes | | | | | | | | (11) | | | (11) |
| Net profit for the year | | | | | | | | | | 60,727 | 60,727 |
| Consolidated net equity at 31 December 2011 | 125,000 | 0 | 11,426 | 86,135 | 0 | 0 | 0 | 3,519 | 24,319 | 60,727 | 311,126 |
| Allocation of net profit for 2011 | | | 207 | | | | | 60,520 | | (60,727) | 0 |
| Reclassification under reserves | | | | | | | | | 0 | | 0 |
| Translation difference | | | | | | | | | 2,611 | | 2,611 |
| Other changes | | | | | | | | 114 | | | 114 |
| Net profit for the year | | | | | | | | | | 75,909 | 75,909 |
| Consolidated net equity at 31 December 2012 | 125,000 | 0 | 11,633 | 86,135 | 0 | 0 | 0 | 64,153 | 26,930 | 75,909 | 389,760 |
| Allocation of net profit for 2012 | | | 274 | | | | | 75,635 | | (75,909) | 0 |
| Distribution of dividends | | | | | | | | (16,000) | | | (16,000) |
| Reclassification under reserves | | | | | | | | | | | |
| Translation difference | | | | | | | | | (19,041) | | (19,041) |
| Other changes | | | | | | | | (7) | | | (7) |
| Net profit for the year | | | | | | | | | | 64,412 | 64,412 |
| Consolidated net equity at 31 December 2013 | 125,000 | 0 | 11,907 | 86,135 | 0 | 0 | 0 | 123,781 | 7,889 | 64,412 | 419,124 |

Annex VI

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(in thousands of Euros)

| | <u>2013</u> | <u>2012</u> |
|--|-----------------|-----------------|
| OPENING NET FINANCIAL POSITION | 192,512 | 249,128 |
| CASH FLOWS GENERATED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net profit for the year | 64,412 | 75,909 |
| Depreciation and write-downs of tangible fixed assets | 18,259 | (3,285) |
| Amortisation and write-downs of intangible fixed assets | 49,664 | 26,703 |
| Accrual to the employees' leaving entitlement | 8,713 | 8,724 |
| Utilisation of employees' leaving entitlement | (9,865) | (36,339) |
| Change in provisions for risks and charges | (7,656) | 46,647 |
| Change in inventory | (59,036) | (67,097) |
| Change in receivables | 19,418 | (49,745) |
| Change in trade payables, payables to unconsolidated subsidiaries, tax payables, social security charges payable, other payables and payables to the parent | 19,036 | (10,712) |
| Net change in prepayments and accrued income and accrued expenses and deferred income | (146) | 3,427 |
| Other changes in net equity | (7) | 1,431 |
| Change in payables to minority shareholders | (2) | (2,880) |
| Translation difference on current assets | (4,606) | 5,821 |
| | <u>98,184</u> | <u>(1,396)</u> |
| CASH FLOWS USED IN | | |
| INVESTING ACTIVITIES | | |
| Investments in tangible fixed assets | (45,394) | (12,980) |
| Investments in intangible fixed assets | (11,164) | (9,414) |
| Disposals of intangible fixed assets, net | 1,584 | 8,395 |
| Disposals of tangible fixed assets, net | 1,546 | 360 |
| Change in fixed assets following change to the consolidation scope | (25) | (2,860) |
| | <u>(53,453)</u> | <u>(16,499)</u> |
| CASH FLOWS GENERATED BY (USED IN) | | |
| FINANCING ACTIVITIES | | |
| Dividends paid | (16,000) | 0 |
| Change in and loans and borrowings from other financial backers and bank loans and borrowings | | |
| due after one year | (35,470) | 361,211 |
| Change in other financial fixed assets | 49 | 1,676 |
| Change in securities classified as current assets | 6,698 | 795 |
| | <u>(44,723)</u> | <u>363,682</u> |
| CASH FLOWS GENERATED DURING THE YEAR | 8 | 345,787 |
| Effect of cash flows generated by the 2013 acquisition of IPI group, the 2012 acquisitions of Flexlink group and RA Jones & Co and the 2012 sales of MC Automations S.r.l. and Tecnosweet S.r.l. in 2012 | (37,690) | (402,403) |
| CLOSING NET FINANCIAL POSITION | 154,830 | 192,512 |