



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

**COESIA Group**

**Consolidated financial statements  
as at and for the year ended  
31 December 2014  
(with report of the auditors thereon)**

KPMG S.p.A.  
21 April 2015



**KPMG S.p.A.**  
**Revisione e organizzazione contabile**  
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## **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 2014. 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 June 2014 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 2014 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 2014.
- 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 2014.

Bologna, 21 April 2015

KPMG S.p.A.

(signed on the original)

Rodolfo Curti  
Director of Audit

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo  
Bologna Bolzano Brescia  
Catania Como Firenze Genova  
Lecce Milano Napoli Novara  
Padova Palermo Parma Perugia  
Pescara Roma Torino Treviso  
Trieste Varese Verona

Società per azioni  
Capitale sociale  
Euro 8.835.600,00 i.v.  
Registro Imprese Milano e  
Codice Fiscale N. 00709600159  
R.E.A. Milano N. 512867  
Partita IVA 00709600159  
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Sede legale: Via Vittor Pisani, 25  
20124 Milano MI ITALIA

(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**

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**CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014**

**DIRECTORS' REPORT**

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**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, aseptic filling machineries, package opening and closing systems and multi-layer packaging material using a combination of polyethylene, paper and aluminium sheets (Advanced Automated Machinery and Materials), (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).

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. wholly owns Sasib S.p.A., with registered office in Castel Maggiore (Bologna), a company that produces automated machinery for the tobacco industry with a high range of maker and packer lines installed in several markets throughout the world and which completes and integrates, also in the low speed segment, the lines of products that G.D S.p.A. offers to its customers;

- 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 and packing 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), 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 packaging of products for the pharmaceutical 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 filling machineries, package opening and closing systems and multi-layer packaging material using a combination of polyethylene, paper and aluminium sheets.

### **The economic situation**

The 2014 had a overall negative macroeconomic performance compared to the forecast made at the beginning of the year, predicting a recovery of the global economy, driven by the most advanced and industrialized economies, in particular the United States, Germany and Japan. In the year, US GDP rose 2.4% (+1.9% in 2013), Eurozone GDP rose 0.8% (fell 0.4% in 2013). In Germany, it grew 1.5% (versus 0.5% in 2013), whereas in Japan, it increased 0.1% (+1.7% in 2013). In emerging countries, economic activity slowed, although it remained at high levels. Chinese GDP grew 7.4%, compared to growth of roughly 7.7% in 2013, India's GDP climbed 5.8%, compared to approximately 4.4% in 2013. According to the International Monetary Fund's most recent estimates, at a global level, the expected growth for 2015 should be around 3.5%, although estimates have been reduced compared to those made during the year.

In addition, the gap between forecast growth in the USA, on one side, and the other countries in the Eurozone and Japan, on the other, is expected to expand in 2015.

The United States still remain the only constant with respect to forecasts and they are expected to continue to grow by 3.6% in 2015 and 3.3% in 2016.

On the other hand, the growth of the Euro area, lower than expected, should be 1.2%, in

line with that of Germany. Spain is the only Eurozone country for which estimates are confirmed and is expected to grow by 2%; Japan is struggling to respond to the heavy incentive actions implemented by the authorities and thus is expected to grow by only 0.1% in 2015.

Lastly, in emerging and developing countries, the growth in the coming year is expected to remain steady, although estimates have been revised downwards compared to those made during 2014.

### **Markets**

The market situation of the group companies is the following:

"Tobacco machinery": global cigarette consumption remained substantially steady, but with an expected declining trend. Europe, USA and Japan display a significant decline and also China and South East Asia show a slowdown.

While demand for standard machinery is down, it remains sustained for cigarettes, filters and special packages and for the segment that requires the supply of innovative solutions. The focus on that segment will be crucial in preserving current business levels in 2015 and beyond.

The EU Tobacco Product Directive ("tobacco directive") issued in 2014 shall be implemented by member states at national level, with time periods ranging from two to five years depending on the specific legislation.

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 room left open to interpretation (especially with respect to the directive for compliance of special products now and in the future, i.e., EU tobacco product compliance), with consequent uncertainty, which is reflected in a wait-and-

see approach and the postponement of investments on the market.

In the coming years, however, it will also be possible to supply units to convert/adapt to the new legislation. The introduction of plain packaging in some EU countries (with UK, Ireland and France being the most likely) is considered possible.

Another opportunity offered by the market is the reduction of 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 not only the opportunities but also a need to reduce clients' operating costs are encountered.

Consumer Goods Machinery and Aseptic Filling Machinery and Materials, Industrial Process Solutions, Precision Gears:

2014 was a year of consolidation for the companies of the Consumer Goods Machinery and Aseptic Filling Machinery and Materials, Industrial Process Solutions and Precision Gears divisions whose sales and orders made it possible to stabilise, and in some cases to expand, the group's presence in key markets.

The acquisitions finalised in prior years enabled the customer portfolio to be expanded and diversified, as well territorial coverage to be expanded. The acquisition of IPI allowed Coesia to enter the market of Aseptic Filling Machinery and Materials , which shows significant potentiality for sales growth, especially in emerging markets. The group's 2014 results in the above-mentioned divisions show steady turnover, on a like-for-like basis, compared to the previous year, with a slight decrease in profitability due to the investments in territorial expansion and in the implementation of strategic projects in order to increase the group's efficiency and effectiveness, such as the roll-out of a new E.R.P. system.

**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.

Moreover, with regard to market risks for the subsidiary G.D, an additional possible factor that may influence the consumption of cigarettes and the demand for new machinery are the new regulations that increasingly regulate and limit both tobacco consumption and the use of special packaging (on which, as mentioned earlier, a growing portion of the company's business is based), even in countries outside the EU / USA, in addition to a possible price pressure from our customers aimed at supporting their profitability.

The related financial risks (credit, liquidity, currency, interest rate) do not significantly impact the group companies' 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 subsidiaries 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 4% of its turnover in R&D. In this context, employees' expertise is of strategic importance, especially in technical areas. The group invest 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. The parent and the most relevant Italian subsidiaries adopted the management model provided for by Legislative decree no. 231 covering safety in the workplace and they updated it to include



bribery in the private sector and undue inducement to give or promise benefits.

### **Performance**

2014 was a positive year for the Group in a particularly complex macroeconomic environment. Coesia's 2014 consolidated financial statements show:

- 2014 turnover (including the change in work in progress on long-term contracts) of €1,440.3 million, up roughly 4.9% on 2013 (€1,373.2 million), which includes IPI Group's turnover of €55.1 million;
- an operating profit of €161.9 million, improved with respect to 2013 (€146.0 million), which includes the amortisation of goodwill, goodwill arising on consolidation and trademarks for €46.7 million compared to €45.3 million in 2013 and also the effects arising from the consolidation for the first time of the profit and loss account of IPI (€4.2 million).
- 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) which decreased from €322 million at the 2013 year end (including the total of receivables sold to factor under recourse factoring as required by new GAAP) to €228 million at the 2014 year end, with an improvement of €108 million excluding non-operating investment of approximately €14 million, mainly due to the cash generated in the more mature and consolidated business segments in which the Group operates and due to an effective control of cost dynamics.

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

- G.D S.p.A. performed better than in 2013. Its 2014 turnover is consistent compared to prior year, decreasing slightly from €643.9 million in 2013 to €640.7 million in 2014. Its operating profit was €169.0 million (€136.9 million in 2013), after expensing R&D costs of around 4.4% of turnover. The improvement on 2013 is

due to a significant reduction in production costs and to the favourable mix of sales volumes which remained consistent compared to the prior year.

- With regard on the companies active in the Consumer Goods Machinery, Aseptic Filling Machinery and Materials, Industrial Process Solutions and Precision Gears divisions:
  - ACMA S.p.A. ended the year with an operating loss of €9.7 million, showing a worsening on the previous year (in 2013, the operating loss was €6.2 million). This worsening was mainly due to the postponement of the billing of some projects to 2015 and higher completion and testing costs;
  - 2014 was a positive year for GDM S.p.A.. It increased its results compared to 2013: turnover in 2014 (€64.4 million, including the change in inventory for long-term contracts) is greater than 2013 (€52.7 million), while the operating profit has significantly improved (2014: €8.4 million; 2013: €3.8 million). The company ended the year with a good order backlog which projects it towards a further expansion in emerging markets and customer portfolio diversification in 2015;
  - VOLPAK SA ended 2014 with turnover (€46.4 million) down on 2013 (€59.0 million). The operating profit fell from €10.2 million in 2013 to €4.3 million in 2014 due to the postponement of the billing of some projects to 2015, higher development and completion costs and an unfavourable product and customer mix;
  - CIMA S.p.A. performed better in 2014 than in 2013. The company's 2014 turnover increased on the previous year (from €18.3 million in 2013 to €20.9 million in 2014), and the operating profit grew from €0.4 million in 2013 to €0.9 million in 2014. The improvement was due to higher volumes and to the increase in gross profit which was favourably influenced by the diversification in the customer mix, especially in

the racing and aeronautics industry.

- In 2014, Hapa enjoyed growth in consolidated turnover (€48.1 million in 2014, compared to €43.2 million in 2013) and an improvement in the operating profit (€5.4 million in 2014, compared to €4.5 million in 2013, before the amortisation of goodwill). The increase in operating profit is mainly due to actions for revenue growth, the improvement in project implementation efficiency and the focus on the after-sales segment.
- 2014 was a year of structural consolidation for Laetus, with consolidated turnover significantly improved compared to the previous year (€25.5 million in 2014, compared to €19.3 million in 2013) while the operating loss worsened (€3.2 million in 2014, compared to €1.3 million in 2013, before the amortisation of goodwill). The increase in operating loss is due to higher costs incurred in order to stabilise the product range and install the company's significant projects for pharmaceutical customers. In addition, the company made significant investments to enhance the technical structure, project management and the sales force in order to adequately meet increasing orders. The forecast for 2015 provides for further expansion of sales, customer portfolio diversification and improving in operating results due to a greater efficiency in the execution of projects;
- Norden group, which also includes Citus Kalix Sas, improved its turnover in 2014 which grew from €104.7 million in 2013 to €110.6 million in 2014, mainly related to the filling tube segment, while operating profit decreased to €3.9 million (€7.2 million in 2013) due to project execution costs and guarantee costs that were higher than expected. In 2014, Norden group also incurred in costs related to the new headquarters in China and due to internal reorganisation.
- Flexlink group ended 2014 with consolidated turnover of €200.7 million (2013:

€173.8 million) and an operating profit of €12.3 million (2013: €11.8 million). The operating profit in 2014 shows a project mix which saw an increase in larger orders with a high-level of design and complexity. The company also suffered competitive pressure in some emerging markets, resulting in a consequent pricing pressure and partial reduction of margins. The strategy for 2015 is characterised by actions for revenue growth and increasing focus on the high added value segments in order to improve profitability.

- R.A. Jones & Co. posted 2014 turnover of €105.9 million (€115.7 million in 2013) and an operating profit of €6.7 million (€10.4 million in 2013). The company's performance was negatively affected by the temporary decrease in investments by its key customer and by higher projects completion costs, especially in the first half of 2014. In 2014, the company started activities to control and streamline costs and in order to increase the order portfolio. Such actions will be fully implemented in 2015.
- Lastly, IPI group ended 2014 (its first year in Coesia group) with a turnover of €55.1 million and an operating profit of €4.2 million. The key operating and financial indicators of IPI were generally positive and consistent with expectations. During the year, IPI group fully integrated into Coesia and started to set up actions to make use of synergies with other subsidiaries, especially with regard to regional structures and technical organisation. The goal for 2015 is to improve the operating profit thanks to technological innovation, diversification and development of the customer portfolio.

#### **Research and development activities**

Research and development are vital for the development of companies that supply 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 4% 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**

At their meeting held on 24 March 2015, the shareholders of Coesia S.p.A. approved the partial proportional demerger of the entire investment in Mast S.r.l. to Is.Co S.r.l.. This transaction is part of a broader corporate transaction involving different legal entities included in Coesia group, comprising: i) on 10 February 2015 the sale of the entire investment in Mast S.r.l. (formerly CTAl Kids S.r.l.) by G.D S.p.A. to Coesia S.p.A. and ii) on 12 March 2015, the early redemption of the purchase option by GD S.p.A. of the property financial lease concerning the multipurpose building called "MAST" (Factory of Arts Experimentation and Technology). The aforementioned demerger of Mast S.r.l. to Is.Co

S.r.l. is subject to the demerger of the MAST building, the related appartenance areas and their chattels, by the subsidiary GD S.p.A. to Mast S.r.l. for a total of €69 million. Both demerger transactions will have legal, tax and accounting effect starting from 1 July 2015. Upon completion of the above-mentioned transactions, the multipurpose "MAST" building will be owned by Mast S.r.l., an investment that will be directly controlled by Is.Co S.r.l..

### **Outlook**

The order trends foreseen for 2015 and the current backlog level lead us to expect improved turnover and results if compared to 2014, although subject to the development of the still complex and volatile market situation and the risks associated with it.

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The consolidated financial statements as at and for the year ended 31 December 2014, which we submit for your attention, show a consolidated net profit of €77,620 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 €512,646 thousand.

Bologna, 21 April 2015

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**

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**CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2014**

**(in thousands of Euros)**

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<b>BALANCE SHEET</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>ASSETS</b>		
<b>(A) Share capital proceeds to be received</b>	<u>0</u>	<u>0</u>
<b>(B) Fixed assets</b>		
I - Intangible fixed assets		
1) Start-up and capital costs	121	126
3) Industrial patents and intellectual property rights	1,511	1,597
4) Concessions, licences, trademarks and similar rights	14,660	14,075
5) Goodwill	270,211	282,669
6) Assets under development and payments on account	11,338	7,677
7) Other	9,873	6,861
8) Goodwill arising on consolidation	64,955	75,474
Total intangible fixed assets	<u>372,669</u>	<u>388,479</u>
II - Tangible fixed assets		
1) Land and buildings	186,588	131,932
2) Plant and machinery	34,058	28,976
3) Industrial and commercial equipment	10,711	7,142
4) Other assets	12,900	12,057

5) Assets under construction and payments on account	9,652	69,038
Total tangible fixed assets	<u>253,909</u>	<u>249,145</u>
III - Financial fixed assets		
1) Investments:		
a) subsidiaries	377	0
b) associates	860	837
d) other	313	317
total investments	<u>1,550</u>	<u>1,154</u>
2) Financial receivables:		
d) from others:		
- due after one year	2,025	1,683
Total financial receivables	<u>2,025</u>	<u>1,683</u>
Total financial fixed assets	<u>3,575</u>	<u>2,837</u>
<b>Total fixed assets</b>	<b><u>630,153</u></b>	<b><u>640,461</u></b>
<b>(C) Current assets</b>		
I - Inventory		
1) Raw materials, consumables and supplies	70,762	75,671
2) Work in progress and semi-finished products	328,914	369,893
3) Contract work in progress	8,289	17,977
4) Finished goods	42,193	38,044
5) Payments on account	4,935	3,466
Total inventory	<u>455,093</u>	<u>505,051</u>
II - Receivables		
1) Trade receivables		
a) due within one year	301,104	273,220



b) due after one year	6,321	1,621
Total trade receivables	<u>307,425</u>	<u>274,841</u>
2) From subsidiaries	615	561
3) From associates	505	106
4) From the ultimate parent	0	185
4-bis) Tax receivables	22,250	28,529
4-ter) Deferred tax assets	64,036	59,697
5) From others	13,596	10,581
Total receivables	<u>408,427</u>	<u>374,500</u>
III - Current financial assets		
6) Other securities	20,088	193
Total current financial assets	<u>20,088</u>	<u>193</u>
IV - Liquid funds		
1) Bank and postal accounts	279,893	222,979
3) Cash-in-hand and cash equivalents	8,908	734
Total liquid funds	<u>288,801</u>	<u>223,713</u>
<b>Total current assets</b>	<b><u>1,172,409</u></b>	<b><u>1,103,457</u></b>
<b>(D) Prepayments and accrued income</b>	<b><u>9,567</u></b>	<b><u>9,126</u></b>
<b>TOTAL ASSETS</b>	<b><u>1,812,129</u></b>	<b><u>1,753,044</u></b>
<b>LIABILITIES</b>		
<b>(A) Net equity</b>		
I - Share capital	125,000	125,000
II - Share premium reserve	0	0
III - Revaluation reserves	86,135	86,135
IV - Legal reserve	12,272	11,907

V - Reserve for own shares in portfolio	0	0
VI - Statutory reserves	0	0
VII - Other reserves	0	0
Translation reserve	23,816	7,889
VIII - Retained earnings	187,803	123,781
IX - Net profit for the year	77,620	64,412
<b>Total net equity</b>	<b><u>512,646</u></b>	<b><u>419,124</u></b>
Share capital and reserves - minority interests	531	514
<b>Net equity - group and minority interests</b>	<b><u>513,177</u></b>	<b><u>419,638</u></b>
<b>(B) Provisions for risks and charges</b>		
2) Tax provision, including deferred tax liabilities	23,464	25,954
3) Other provisions	121,094	103,943
<b>Total provisions for risks and charges</b>	<b><u>144,558</u></b>	<b><u>129,897</u></b>
<b>(C) Employees' leaving entitlement</b>	<b><u>29,805</u></b>	<b><u>30,651</u></b>
<b>(D) Payables</b>		
1) Bonds		
b) due after one year	200,000	100,000
Total bonds	<u>200,000</u>	<u>100,000</u>
3) Shareholder loans	0	10,000
4) Bank loans and borrowings		
a) due within one year	231,006	68,292
b) due after one year	63,031	332,760
Total bank loans and borrowings	<u>294,037</u>	<u>401,052</u>
5) Loans and borrowings from other financial backers		
a) due within one year	2,979	2,439

b) due after one year	40,127	32,375
Total loans and borrowings from other financial backers	<u>43,106</u>	<u>34,814</u>
6) Payments on account	285,381	277,270
7) Trade payables	188,917	239,472
9) Payables to subsidiaries	168	207
10) Payables to associates	343	336
11) Payables to ultimate parents	5,385	14
12) Tax payables	20,767	19,541
13) Social security charges payable	16,053	15,498
14) Other payables		
a) due within one year	61,617	63,532
b) due after one year	0	4,500
Total other payables	<u>61,617</u>	<u>68,032</u>
<b>Total payables</b>	<b><u>1,115,774</u></b>	<b><u>1,166,236</u></b>
<b>(E) Accrued expenses and deferred income</b>	<b><u>8,815</u></b>	<b><u>6,622</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>1,812,129</u></b>	<b><u>1,753,044</u></b>
<b>MEMORANDUM AND CONTINGENCY ACCOUNTS</b>		
<b>Personal guarantees given</b>		
-Sureties in favour of third parties	106,500	124,742
Total	<u>106,500</u>	<u>124,742</u>
<b>Commitments</b>		
-Off-the-books transactions	31,843	24,939
Total	<u>31,843</u>	<u>24,939</u>
<b>Contingencies</b>		
-Discounted bills not yet due	0	0

-Other	4,803	12,439
Total	<u>4,803</u>	<u>12,439</u>
<b>PROFIT AND LOSS ACCOUNT</b>	<b>2014</b>	<b>2013</b>
<b>(A) PRODUCTION REVENUES</b>		
1) Turnover from sales and services	1,450,050	1,369,369
2) Change in work in progress, semi- finished products and finished goods	(29,552)	58,711
3) Change in contract work in progress	(9,713)	3,819
4) Internal work capitalised	4,027	6,466
5) Other revenues and income:		
a) grants related to income	20	29
b) other income	16,802	8,351
Total other revenues and income	<u>16,822</u>	<u>8,380</u>
<b>Total production revenues</b>	<b><u>1,431,634</u></b>	<b><u>1,446,745</u></b>
<b>(B) PRODUCTION COST</b>		
6) Raw materials, consumables, supplies and goods	429,363	452,528
7) Services	305,303	350,898
8) Use of third party assets	18,848	16,894
9) Personnel expenses:		
a) wages and salaries	309,158	289,502
b) social security contributions	74,031	71,873
c) employees' leaving entitlement	9,220	8,713
e) other costs	18,962	15,863
Total personnel expenses	<u>411,371</u>	<u>385,951</u>
10) Amortisation, depreciation and write-downs:		

a) amortisation of intangible fixed assets	52,332	49,664
b) depreciation of tangible fixed assets	21,821	18,258
d) write-downs of current receivables	4,026	1,154
Total amortisation, depreciation and write-downs	<u>78,179</u>	<u>69,076</u>
11) Change in raw materials, consumables, supplies and goods	6,392	341
12) Provisions for risks	11,604	14,934
14) Other operating costs	8,714	10,141
<b>Total production cost</b>	<b><u>1,269,774</u></b>	<b><u>1,300,763</u></b>
<b>Operating profit</b>	<b><u>161,860</u></b>	<b><u>145,982</u></b>
<b>(C) FINANCIAL INCOME AND CHARGES</b>		
15) Income from investments:		
c) dividends and other income from other companies	14	11
Total income from investments	<u>14</u>	<u>11</u>
16) Other financial income:		
c) from securities classified as current assets which are not equity investments	57	13
d) other income:		
- interest from subsidiaries	1	2
- interest from others	2,837	10,597
Total other income	<u>2,838</u>	<u>10,599</u>
Total other financial income	<u>2,895</u>	<u>10,612</u>
17) Interest and other financial charges:		
b) to associates	0	17
c) other	31,564	20,414

Total interest and other financial charges	<u>31,564</u>	<u>20,431</u>
17-bis) Net exchange rate gains (losses)	<u>7,685</u>	<u>(7,778)</u>
<b>Net financial charges</b>	<b><u>(20,970)</u></b>	<b><u>(17,586)</u></b>
<b>(D) ADJUSTMENTS TO FINANCIAL ASSETS</b>		
18) Write-backs:	0	0
19) Write-downs:		
a) of equity-accounted investees	231	343
Total write-downs	<u>231</u>	<u>343</u>
<b>Total adjustments to financial assets</b>	<b><u>(231)</u></b>	<b><u>(343)</u></b>
<b>(E) EXTRAORDINARY INCOME AND EXPENSE</b>		
20) Income		
b) other income	39	0
Total income	<u>39</u>	<u>0</u>
21) Expense		
c) other expense	712	2,409
Total expense	<u>712</u>	<u>2,409</u>
<b>Net extraordinary expense</b>	<b><u>(673)</u></b>	<b><u>(2,409)</u></b>
<b>Pre-tax profit</b>	<b><u>139,986</u></b>	<b><u>125,644</u></b>
22) Income taxes:		
a) current taxes	64,869	61,101
b) deferred taxes	(2,477)	133
Total income taxes	<u>62,392</u>	<u>61,234</u>
<b>Net profit for the year including minority interests</b>	<b><u>77,594</u></b>	<b><u>64,410</u></b>
Minority interests in net profit for the year	<u>(26)</u>	<u>(2)</u>
<b>23) Net profit for the year</b>	<b><u>77,620</u></b>	<b><u>64,412</u></b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2014**

(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. (industrial 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. The group's consolidation scope was extended in the subsequent years, following new acquisitions and incorporations.

### **BASIS OF PRESENTATION**

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 ("Italian GAAP").

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 financial position and results of operations, even if not specifically required by the law.

The consolidated financial statements as at and for the year ended 31 December 2014

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.

The Italian GAAP have been recently revised and updated and the amendments are applicable to financial statements with a reporting date starting from 31 December 2014. These consolidated financial statements have been prepared considering the amendments. The application of the revised Italian GAAP has not had significant effects on the consolidated financial statements captions.

## **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. The excess price paid for acquired investments was fully recognised as goodwill arising on consolidation as it did not satisfy the conditions to be allocated to the acquired assets, except for the investment in 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/lost. 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	1.2141	1.3284
Pound sterling	0.7798	0.8060
Russian rouble	72.3370	50.9741
Hong Kong dollar	9.4170	10.3015
Japanese yen	145.2300	140.2983
Brazilian real	3.2207	3.1207
Swiss franc	1.2024	1.2146
Mexican peso	17.8679	17.6543
Swedish krona	9.3930	9.0994
Chinese yuan	7.5358	8.1856
Turkish lira	2.8320	2.9062
South African rand	14.0353	14.4031
South Korean won	1,324.80	1,397.94

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 2014 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 Autonoleggio S.r.l., MAST S.r.l. (formerly Cta Kids S.r.l.) and ADEC S.A., as they are immaterial. The carrying amount (historical cost) of the investments in Lesina Autonoleggio S.r.l., MAST S.r.l. and ADEC S.A. in the consolidated financial statements is substantially the same as their equity-accounted carrying amount at 31 December 2014.

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

As discussed more thoroughly in the directors' report, in 2014, the consolidation scope did not change. 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, while its profit and loss account was consolidated for the first time in 2014.

Moreover, the following extraordinary transactions were carried out in 2014, with no impact on the consolidation scope:

- Nuove Iniziative Industriali S.r.l. was merged in its parent, G.D S.p.A.;
- GD USA Inc. sold Flexlink System Inc. the "Gottscho" business unit relating to the production and marketing of "In-line printing systems" for the pharmaceutical, nutraceutical, food and consumer goods segments and the investment in Hapa & Laetus Inc., which was then merged into Flexlink System Inc.;
- Norden Machinery AB sold Coesia Health & Beauty Inc. to R.A Jones & Co and

the acquired company was then merged into the latter;

- Laetus GmbH sold Laetus Italia S.r.l. to Flexlink System S.p.A. and the acquired company was then merged into the latter.

**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 2014:

	<u>Net</u> <u>equity</u>	<u>Net profit for</u> <u>the year</u>
FIGURES IN THE FINANCIAL STATEMENTS OF COESIA S.p.A. AT 31 DECEMBER 2014	235,493	15,571
CONSOLIDATION ADJUSTMENTS:		
a) Difference between the carrying amount of consolidated investments and their value using the equity method	260,338	100,709
b) Elimination of dividends		(36,044)
c) Elimination of unrealised intercompany profits with third parties and included in inventory	(24,088)	(2,924)
d) Elimination of unrealised intercompany profits with third parties and included in intangible and tangible fixed assets	(9,675)	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.	(1,248)	1,256

f) Effect of the recognition of finance leases for tangible fixed assets using the financial method	63,884	(2,385)
g) Accrual for deferred tax liabilities related to the tax effect (where applicable) of consolidation adjustments	<u>(12,058)</u>	<u>1,195</u>
Net effect of consolidation adjustments	<u>277,153</u>	<u>62,049</u>
FIGURES IN THE CONSOLIDATED FINANCIAL STATEMENTS		
AT 31 DECEMBER 2014	<u>512,646</u>	<u>77,620</u>

#### **BASIS OF PREPARATION**

The most significant accounting policies adopted for the consolidated financial statements are summarised 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, trademarks 10 years
- participation in the creation of moulds 3 years
- leasehold improvements 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 and this approach allows an approximation of their shorter period of use.

Ordinary maintenance costs are expensed in full in the year they are incurred. Costs for maintenance that increases the value of assets, incurred to expand, upgrade or improve structural elements of an asset, including changes made to increase the asset's consistency with its intended use, are capitalised if they give rise to a significant and

quantifiable increase in the asset's production capacity, safety or useful life. They are allocated to the relevant asset and depreciated over its residual useful lives.

#### **Write-downs for impairment losses on tangible and intangible fixed assets**

As required by Italian GAAP 9, at each reporting date, the group assesses whether there is any indication that a tangible or intangible fixed asset may be impaired. If there such an indication, the group estimates the asset's recoverable amount and recognises a write-down only if the latter is lower than the asset's carrying amount.

An asset's recoverable amount is the higher of its value in use and its fair value less costs of disposal.

Value in use is calculated on the basis of the present value of the future cash flows expected to be derived from an asset estimated using the current market rate.

If there is no binding sale agreement, the fair value is estimated by reference to the quoted prices of an active market, recent transactions or best available information that reflects the amount that can be obtained from the sale of the asset. If the recoverable amount is lower than an asset's carrying amount, the latter is written down to that lower amount and the resulting impairment loss is recognised as a write-down in the profit and loss account.

#### **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 to give a true and fair view in the consolidated financial statements.

Investments in other companies are stated at acquisition or subscription cost. If the group identifies impairment losses on investments at the reporting date, their carrying amount is written down to the lower amount, which is calculated on the basis of the future cash flows expected to flow to the group, up to the zeroing of the carrying amount. If the group has a

binding obligation to cover the investees' losses, an accrual to provisions may be necessary to cover its portion of their net deficits.

Should the reasons for the write-down cease to exist in future years, the investment's carrying amount is reinstated to the extent of the original cost.

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 sale, 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 rights to receive a certain amount of cash flows from customers or other third parties and are stated at their estimated realisable value.

Their nominal amount is adjusted to account for expected bad debts, invoicing adjustments, discounts and allowance and other reasons.

The receivables' nominal amount is adjusted for expected bad debts by an accrual to the provision for bad debts that covers the debtor's possible default. The provision is estimated on an individual basis, by calculating the expected losses on each actual or reasonably foreseeable irregular position. Moreover, the provision is calculated by taking into account any historical trends and any other element useful to estimate possible additional losses on the overall receivables existing at the reporting date. The accrual for receivables secured by guarantees takes into account the effects of enforcing the guarantees.

Invoicing adjustments are considered on an accruals and prudent basis, by accruing credit notes to be issued or a specific provision for returns of goods or products by customers, which does not adjust the carrying amount of receivables.

Trade discounts and allowances that the group expects to grant upon collection and other reasons for collecting a lower amount are also specifically provided for. Financial discounts and allowances are recognised when the receivable is collected.

Receivables are derecognised when the contractual rights to the related cash flows are extinguished or title thereto is transferred, together with substantially all related risks. The assessment of the transfer of risk takes into account all contractual terms. When the above-mentioned conditions are met and the receivable is derecognised, any difference between the amount collected and the receivable's carrying amount (i.e., its nominal amount, net of accumulated impairment losses), is recognised as a loss in the profit and loss account, unless another classification may be identified based on the transfer agreement.

If the receivables are transferred but all related risks are substantially retained, they are not derecognised and are subject to the treatment detailed above. Any advances of part of the agreed consideration from the transferee are recognised as a financial liability in the balance sheet.

#### **Current financial assets**

Securities of a short-term investment nature are measured at the lower of acquisition or subscription cost and market value, which, in the case of listed securities, is the average price of the last month of the year.

If there is no active market, the expected realisable value is estimated using appropriate valuation techniques, in order to identify the possible price for a hypothetical sale of the security at the reporting date.

The estimate takes into account the performance of the relevant security's reference market.

Current financial receivables are recognised at the lower of their carrying amount and net expected realisable value. Accrued interest income not yet collected at the reporting date is recognised on an accruals basis by posting the relevant accruals.

#### **Liquid funds**

Liquid funds are stated at their nominal amount. Bank and postal accounts and cheques on hand are recognised at their expected realisable value. Cash and cash equivalents are stated at their nominal amount. Foreign currency liquid funds are measured at the exchange rate ruling at the reporting date. Payables are measured as detailed later on.

#### **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.

Accrued income and expenses are respectively the portion of income and expenses

pertaining to the year but that will be collected/paid in subsequent years.

Prepayments and deferred income are respectively portions of costs and income that were paid/collected during the year but that pertain to one or more subsequent years.

Accordingly, these captions only include portions of costs and income common to two or more years, the amount of which changes depending on when and how they produce the related effects.

At each year end, the group analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on the expected realisable value, whereas that of prepayments is based on the future economic benefits arising therefrom.

#### **Provisions for risks and charges**

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years. The accruals made to these provisions represent the best estimate of costs, including legal expenses, at each reporting date and are not discounted.

Should the outcome of the measurement process be a range of amounts, the accrual is the best estimate between the minimum and maximum amounts in the range.

These provisions are used directly and only for those expenses and liabilities for which they had originally been accrued. Any deficits or excesses compared to the actual costs are recognised in the profit and loss account in line with the original accrual.

Risks for which the liability is only possible are not provided for, but are disclosed in the

notes to the financial statements.

### **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**

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the change in legislation introduced by Law no. 296 of 27 December 2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or company agreements which are not required to be repaid. The related liability is the amount that the Group would have paid had all employees left at the reporting date. The amount due to employees who had already left the Group at the reporting date but that will be paid in the following year are reclassified to payables. The portion of benefit accrued during the year is recognised under other payables up until it is transferred to the complementary pension funds or the INPS (the Italian social security institution) treasury fund, depending on the employees' decision. The residual benefit accrued up to 31 December 2006 continues to be revalued in accordance with the law.

### **Payables**

Payables are obligations to pay specific amounts, usually on a given date. These derive from the purchase of products, goods and services, services provided by employees,

taxes, as well as loans and borrowings.

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

Trade payables are initially recognised when the significant risks, charges and benefits relating to ownership have been transferred. Payables relating to services are recognised once the services have been provided.

Loans and borrowings and payables unrelated to the procurement of goods and services are recognised when the group has an obligation vis-a-vis the counterparty.

In the event of early settlement, the difference between the residual outstanding amount and the overall outlay to settle the obligation is recognised as a financial income or charge.

Trade payables that are due after one year at initial recognition and do not bear interest or bear interest at unreasonably low rates are recognised at their nominal amount. The balancing entry in the profit and loss account is recognised by separating the portion relating to the purchase of goods or the provision of services at market conditions with short-term due dates from the portion of interest implicitly arising from the payment extension. This interest expense is initially recognised under prepayments and is subsequently reclassified to the profit and loss account over the term of the payable.

#### **Memorandum and contingency accounts**

The memorandum and contingency accounts shows the group's guarantees and commitments. They do not include items that have already been recognised in the balance sheet, profit and loss account or notes.

Guarantees are recognised at the amount of the guarantee given or, if undetermined, at the best estimate of the risk taken on considering the current situation. Commitments are recognised at their nominal amount. If they cannot be quantified, they are disclosed in the notes. Third party assets with the group are recognised at their nominal amount, fair value

or the amount inferred from supporting documentation, depending on the type of asset.

The amounts shown in memorandum and contingency accounts are checked for adequacy at each reporting date.

### **Revenue and cost recognition**

Revenues and income, costs and expenses are recognised net of returns, allowances, discounts and bonuses on an accruals and prudent basis.

Revenues from the sale of products or provision of services are recognised when the production process of goods or services has been completed and the exchange has already taken place i.e., upon the substantial rather than formal transfer of title, which usually coincides with shipment.

Revenues, income, costs and charges arising from foreign currency transactions are measured at the spot exchange rate ruling at the transaction date.

Gains and losses on forward repurchase agreements, including the difference between the forward and spot price, are recognised on an accruals basis.

Caption B10 d) includes any write-downs of prepayments and accrued income relating to non-financial items (e.g., lease agreements). Any write-downs of prepayments and accrued income relating to financial items (e.g., interest) are recognised in captions of Classes B or C.

### **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 Italian GAAP 17, considering their financial nature.

#### **Grants related to income**

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

Grants related to interest are recognised in the profit and loss account in full in the year to which they pertain.

**Research and development costs**

Research and development costs are recognised in full in 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 reporting 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.	18
Other services	KPMG S.p.A.	Coesia S.p.A.	33
<b>Total Coesia S.p.A.</b>			<b>91</b>
Audit	KPMG S.p.A.	Subsidiaries	230
Audit	KPMG network	Subsidiaries	701
Other attestation services	KPMG S.p.A.	Subsidiaries	25
Tax services	KPMG network	Subsidiaries	27
Other services	KPMG network	Subsidiaries	5
<b>Total subsidiaries</b>			<b>988</b>
<b>Total</b>			<b>1,079</b>

**NOTES TO THE MAJOR BALANCE SHEET ASSETS CAPTIONS**

**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 reporting date.

#### **INTANGIBLE FIXED ASSETS**

Concessions, licences, trademarks and similar rights mainly relate to the Flexlink brand (€8,627 thousand). It also includes costs incurred to acquire licences for business management software.

Goodwill, net of amortisation for the year (€33,908 thousand) and the change in the translation reserve for amounts expressed in a foreign currency (€21,450 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 €884 thousand and €42 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 €908 thousand.
- goodwill paid to acquire R.A Jones & Co. Inc., amounting to €174,630 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. Upon initial consolidation, €8,159 thousand of the excess price paid above net equity (€8,334 thousand at 31 December 2014, increased by the exchange rate gains recognised in the translation reserve) was allocated to owned industrial buildings, while the residual amount was recognised as goodwill and amortised over ten years beginning in 2013, considering the acquired company's forecast results. 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 payments were 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 €93,601 thousand, which was allocated to goodwill and amortised over 10 years considering the company's forecast results, and the excess price paid to acquire 100% of Oberberger Daten- und Systemtechnik GmbH (Obsys) of €146 thousand, 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 €64,955 thousand, net of 2014 amortisation (€11,503 thousand) and exchange rate losses recognised in the translation reserve relating to foreign currency goodwill arising on consolidation (€158 thousand), reflects:

- the difference of €10,971 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 and amortised over 10 years, starting from this 2012, considering the acquired company's forecast results. Further to the damages received in December 2014 by the seller, the carrying amount of goodwill was decreased by €197 thousand. Moreover, at the reporting date, the price included €421 thousand deposited in a bank account held by G.D S.p.A. as a guarantee against any damages provided for by contract. This amount was paid to the seller in January 2015 and the bank

account was closed;

- the excess amount of €1,470 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 €9,179 thousand between the price paid to acquire 100% of Norden 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 €1,978 thousand between the price paid in previous years and the net equity for Norden group companies, which has been allocated to goodwill arising on consolidation and amortised over 10 years on the basis of the acquired group's forecast results;
- the excess amount of €338 thousand between the price paid to acquire 100% of Franssons Maskinbearbetning 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 €18,932 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 group's forecast results;
- the excess amount of €879 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 €21,208 thousand, including the €1,205 thousand price adjustment paid in 2014, 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 has been allocated to goodwill and amortised over 10 years on the basis of the acquired company's forecast results;

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

Assets under development increased €3,661 thousand mainly due to the capitalisation of the new ERP system implementation and development costs (€6,168 thousand), net of the portion relating to the group companies that rolled out the system during 2014 (€2,463 thousand), shown as a "decrease". The new ERP system project involves all the main group companies and its implementation will be completed in 2017. Specifically, the subsidiaries ACMA S.p.A., Tecnomeccanica S.p.A. and Volpak S.A. rolled out the new system during 2014.

#### **TANGIBLE FIXED ASSETS**

The €60,380 thousand increase in land and buildings is mainly due to improvements on owned buildings (€3,102 thousand) and the costs (€56,963 thousand) to build a multi-purpose industrial building at Via Speranza 42-44, Bologna (MAST) that was completed during the year.

G.D S.p.A. holds the building under a 216-month property lease that commenced in June 2014 and expires in June 2032. In March 2015, the building was purchased via the early exercise of the purchase option (see the directors' report).

Land and buildings include a civil property of €0.5 million (net of accumulated depreciation) owned by the subsidiary G.D USA.. The decrease in the caption is due to the sale of the building owned by G.D do Brasil, which transferred its registered office to a new site.

The other changes for the year mainly relate to the acquisition of fixed plant of €8,589 thousand, industrial equipment of €6,756 thousand and production machinery of €4,674 thousand.

The decrease in assets under construction and payments on account of €67,138 thousand is mainly due to the costs incurred in previous years to build the multi-purpose industrial building which, as described earlier, has been held under a property lease since June 2014.

Assets under construction and payments on account mainly comprise work in progress on buildings owned by the subsidiary G.D S.p.A. (€7,320 thousand, 31 December 2013: €1,344 thousand).

## FINANCIAL FIXED ASSETS

### Investments

At 31 December 2014, Coesia Group investments not consolidated on a line-by-line basis were the following:

#### Investments in subsidiaries:

	<u>Share/</u>	<u>at</u>	<u>at</u>
	<u>quotaholder</u>	<u>31/12/14</u>	<u>31/12/13</u>
<b>Measured at cost:</b>			
- Lesina Autonoleggio S.r.l. (Italy)	G.D S.p.A.	-	-
- MAST S.r.l (Italy) (formerly CTAI kids S.r.l.)	G.D S.p.A.	180	-
- ADEC S.A. (Argentina)	G.D Do Brasil	197	-
		<u>377</u>	<u>0</u>

During 2014, the subsidiary G.D Do Brasil Maquinas de Embalar Ltda, which currently provides technical post-sales assistance services, acquired 100% of ADEC S.A..

The subsidiary CTAI KIDS S.r.l. changed its name to MAST S.r.l. in 2014. The increase over the previous year end is due to the capital injections made during the year, net of the amount used to cover the prior year net loss (€344 thousand) and the write down due to impairment losses (€164 thousand).

Investments in associates:

	<u>Share/ quotaholder</u>	<u>at 31/12/14</u>	<u>At 31/12/13</u>
<b>Measured at cost:</b>			
- Fare impresa in Dozza S.r.l. - Impresa sociale (Italy)	G.D S.p.A.	-	26
<b>Measured using the equity method:</b>			
- S.C. Dico Romania S.r.l. (Romania)	G.D S.p.A.	785	785
- Tsubaki Flexlink Co. (Japan)	FLEXLINK	75	26
<b>Total investments in associates</b>		<u>860</u>	<u>837</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.

The investment in Fare Impresa in Dozza S.r.l. – Impresa sociale, has been written off due to its net loss for the year.

Investments in other companies:

	<u>Share/ quotaholder</u>	<u>at 31/12/14</u>	<u>at 31/12/13</u>
<b>Measured at cost:</b>			
- Gudang Garam	G.D S.p.A.	111	111
- Crit S.r.l.	G.D S.p.A.	52	52
- Other sundry		<u>150</u>	<u>154</u>
<b>Total investments in other companies</b>		<u>313</u>	<u>317</u>

**Financial receivables**

Financial receivables due after one year include guarantee deposits of €1,884 thousand.

**CURRENT ASSETS**

**INVENTORY**

This caption is comprised as follows:

	<u>31/12/14</u>	<u>31/12/13</u>
Raw materials, consumables and supplies	86,474	94,873
Work in progress and semi-finished products	394,789	435,960
Contract work in progress	8,289	17,977
Finished goods	<u>63,373</u>	<u>56,766</u>
	552,925	605,576
(less) Provision for the write-down of inventory	<u>(102,767)</u>	<u>(103,991)</u>
	450,158	501,585
Payments on account	<u>4,935</u>	<u>3,466</u>
<b>Total</b>	<u>455,093</u>	<u>505,051</u>

The change in inventory on the previous year end, including translation differences, amounts to €51,427 thousand, net of the €1,224 thousand decrease in the provision for the



write-down of inventory.

The decrease in inventory over the previous year end 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 bad debts (€24,959 thousand; 31 December 2013: €26,802 thousand). Receivables due after one year total €6,321 thousand (31 December 2013: €1,621 thousand, including receivables transferred with recourse, as required by the revised accounting principles). The increase on the previous year end is mainly due to the reclassification required by the revised accounting principles of receivables discounted for collection with recourse (€2,033 thousand), which were previously presented in the memorandum and contingency accounts, and promissory notes for payment extensions (4,270 thousand) granted by the subsidiary G.D S.p.A. to its customers.

### **Receivables from unconsolidated subsidiaries**

The balance refers to financial receivables from the subsidiary Lesina Autonoleggio S.r.l. (€85 thousand) and trade receivables from the subsidiaries Lesina Autonoleggio S.r.l. (€8 thousand) and MAST S.r.l. (€522 thousand).

### **Receivables from associates**

This amount relates to receivables due from the following companies:

	<u>31/12/14</u>	<u>31/12/13</u>
- Fare Impresa in Dozza S.r.l.	50	30
- S.C Dico Romania S.r.l.	455	76
Total	<u>505</u>	<u>106</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>31/12/14</u>	<u>31/12/13</u>
Tax receivables:		
- VAT	12,548	20,864
- current and prior year income taxes	6,864	5,544
- other	<u>2,838</u>	<u>2,121</u>
Total	<u>22,250</u>	<u>28,529</u>
Deferred tax assets	<u>64,036</u>	<u>59,697</u>

The decrease in the VAT receivable is mainly due to the collection of amounts claimed for reimbursement by the subsidiary G.D S.p.A. in previous years.

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>31/12/14</u>	<u>31/12/13</u>
From others:		
- from employees	1,592	1,311
- financial receivables from third parties	14	14
- payments on account	3,710	3,017
- other	8,392	6,378
(Less) provision for bad debts	<u>(112)</u>	<u>(139)</u>
Total	<u>13,596</u>	<u>10,581</u>

### CURRENT FINANCIAL ASSETS

This caption is made up as follows:

	<u>31/12/14</u>	<u>31/12/13</u>
<u>Securities:</u>		
Insurance investments	20,064	-
Foreign securities	<u>24</u>	<u>193</u>
Total	<u>20,088</u>	<u>193</u>

The carrying amount is substantially in line with the reporting-date fair value.

The increase is due to the carrying amount of the units of the whole-life insurance policy signed by Coesia S.p.A. with Credit Agricole during the year. The original amount of €20,000 thousand is increased by accrued return of €64 thousand.

Interest accrues on a quarterly basis and is paid only when the units are sold.

## LIQUID FUNDS

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

	Balance at	
	<u>31/12/14</u>	<u>31/12/13</u>
Bank and postal accounts	279,893	222,979
Cash-in-hand and cash equivalents	<u>8,908</u>	<u>734</u>
Total	<u>288,801</u>	<u>223,713</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>31/12/14</u>	<u>31/12/13</u>
Accrued income:		
- other	763	104
- technical assistance fees	<u>1,528</u>	<u>1,171</u>
	<u>2,291</u>	<u>1,275</u>
Prepayments:		
- invoiced lease prepayments	565	1,205
- maintenance instalments	1,350	1,264
- rent	988	656
- insurance	2,794	3,180
- patents	303	313
- other	<u>1,276</u>	<u>1,233</u>
	<u>7,276</u>	<u>7,851</u>
Total	<u>9,567</u>	<u>9,126</u>

## **LIABILITIES**

### **NET EQUITY**

Pursuant to article 2427.18/19 of the Italian Civil Code, it is noted that the parent had not issued any dividend-right shares, bonds convertible into shares or other financial instruments offering holders equity or participation rights at 31 December 2014. Changes in net equity are shown in an annex to these notes.

### **SHARE CAPITAL**

Share capital recognised in the consolidated financial statements at 31 December 2014 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 amount 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 attributable to the minority shareholders of Volpak Techgen Packaging Machineries Company Ltd and 4S Engineering S.r.l., which are respectively 51% and 80% owned by the group, and that attributable 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 ultimate parent, Ipi S.r.l., exercises dominant influence over it.

### **PROVISIONS FOR RISKS AND CHARGES**

These provisions are composed as follows:

	<u>31/12/14</u>	<u>31/12/13</u>
Tax provision, including deferred tax liabilities	23,464	25,954
Other:		
- provision for product warranties and installations	85,671	79,025

- other provisions	<u>35,423</u>	<u>24,918</u>
Total other	<u>121,094</u>	<u>103,943</u>
Total	<u>144,558</u>	<u>129,897</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.

Moreover, the provision for other risks and charges also relates to the €6 thousand accrual to the provision for losses of investments in order to adjust the carrying amount of the investment in Lesina Autonoleggio S.r.l. to the net deficit shown in its 2014 financial statements.

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, €25,486 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 31/12/13	30,651
Accrual for the year	9,220
Utilisation for entitlements and advances paid, payment to the INPS fund and supplementary pension funds	<u>(10,066)</u>
Balance at 31/12/14	<u>29,805</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 ultimate parent**

The caption includes the €100,000 thousand bond issue subscribed on 1 July 2006 by the majority shareholder with bullet repayment at par 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 one day from issue have elapsed, following the resolution of the shareholders during an ordinary meeting. Coesia S.p.A. may not exercise this option until the loans totalling €235 million obtained to finance the purchases of Flexlink group, R.A Jones & Co. and IPI group have been repaid in full, pursuant to contractual undertakings. Further information is provided in the note to bank loans and borrowings. These bonds accrue interest at an annual rate of 4.5%, which is payable on 30 June of each year of the bond term, beginning in 2007.

On 1 October 2014, Coesia S.p.A. issued and placed on the ExtraMOT PRO bond market, which is reserved for professional investors, bonds for €100,000 thousand with a

bullet repayment on 1 October 2021.

The bonds accrue interest at an annual interest of 3%, which is payable on 1 October of each year of the bond term, beginning in 2014.

#### Shareholder loans

At the due date, Coesia S.p.A. repaid the €10,000 thousand loan to the ultimate parent, Is.Co S.r.l. The 12-month loan was disbursed on 2 December 2013 and accrued quarterly interest at market rates.

#### Bank loans and borrowings

This caption is composed as follows:

	Balance at 31/12/14			Total	Balance at 31/12/13
	Due within one year	Due from one to five years	Due after five years		
Current account overdraft (IPI, Norden Group and Flexlink Group)	2,591			2,591	4,525
Loans (Coesia)	205,000	30,000		235,000	335,000
Advances and other loans in foreign currency and in Euros (IPI and ACMA)	6,764			6,764	14,669
Loans (IPI and Tecnomeccanica)	626	333		959	8,805
Loans (Volpak, Norden group, GD Brazil, GD Turkey and Flexlink group)	14,984	30,665		45,649	34,584
Receivables presented for discounting with recourse	1,041	2,033		3,074	3,469
<b>Total</b>	<b>231,006</b>	<b>63,031</b>	<b>0</b>	<b>294,037</b>	<b>401,052</b>

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 €235 million and are the outstanding amounts of the loans agreed to finance the 2012 acquisition of R.A Jones & Co. (€205 million expiring in 2015) and the acquisition of IPI group in October 2013 (€30 million expiring in 2018).

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

Moreover, such loans accrue interest at market rates and are subject to covenants based on the group's consolidated financial statements, which are monitored by the lending banks every six months and which were complied with at 31 December 2014.

The transactions carried out by Coesia S.p.A. during the year, including the issue of bonds expiring in 2021 (see above) and the 5-year €100 million bullet loan disbursed in 2015, have enabled it to reschedule its bank loans due in 2015 (€205 million). Moreover, thanks to its cash inflows, the group repaid €90 million it had drawn from its committed revolving credit facilities, which in any case remain available for a total of €245 million until 2018. Furthermore, during the year, the parent repaid an 18-month bullet loan of €10 million and the loan disbursed by Unicredit on 1 July 2009 to fund the acquisition of Norden group (€7 million).

At 31 December 2014, IPI S.r.l. has four medium/long-term loans totalling €778 thousand, €254 thousand of which due after one year, and bank advances totalling €3,913 thousand.

ACMA S.p.A. was granted advances of €2,851 thousand on future collections from foreign customers agreed to meet its temporary cash requirements and Tecnomeccanica S.r.l. has an unsecured loan of an original amount of €400 thousand, whose outstanding amount is €182 thousand at the reporting date, including €79 thousand due after one year.

Loans relating to the group companies other than Coesia mainly include:

- the foreign currency loan agreed by the subsidiary Flexlink AB in February 2012 with Nordea Bank, amounting to USD30,000 thousand, renewed in August 2014 for another 18

months and falling due in February 2016. The outstanding amount is €24,710 thousand;

- loans of Norden group with Nordea Bank totalling €3,443 thousand due after one year and short-term loans of €720 thousand granted by IntesaSanPaolo;
- loans of the subsidiary G.D Brazil totalling €7,708 thousand at 31 December 2014, €592 thousand of which due after one year;
- subsidised loans of Volpak S.A. totalling €2,721 thousand, disbursed to fund investments in research and development.

Lastly, bank loans and borrowings include the portion of trade receivables presented for discounting with recourse (€3,074 thousand), which has been reclassified to this caption as required by the revised Italian GAAP 15 on receivables. The portion includes €2,033 thousand due after one year.

#### **Loans and borrowings from other financial backers**

This caption is comprised as follows:

Lender	Type	Balance at 31/12/14			Total	Balance at 31/12/13
		Due within one year	Due from one to five years	Due after five years		
Min. Industry – GDM	Law no. 46/82	452	948		1.400	1,839
Lease companies	Leases	2,527	9,170	30,009	41,706	32,975
<b>Total</b>		<b>2,979</b>	<b>10,118</b>	<b>30,009</b>	<b>43,106</b>	<b>34,814</b>

The €41,706 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 increase is mainly due to the new property lease of G.D S.p.A. that commenced in June 2014, following the completion of the "MAST" multi-purpose building. 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 with respect to the previous year is mainly due to the timing difference in orders and deliveries.

**Payables to unconsolidated subsidiaries**

This caption includes trade payables of €118 thousand due to MAST S.r.l. and €50 thousand due to the subsidiary Lesina Autonoleggio S.r.l..

**Payables to associates**

This caption includes trade payables of €339 thousand due to S.C. Dico Romania S.r.l. and €4 thousand due to Fare Impresa in Dozza S.r.l..

**Payables to the ultimate parent**

This caption of €5,385 thousand refers to the Italian group companies' IRES payable to the ultimate parent, Is.Co. S.r.l., as the consolidating party for the national tax consolidation scheme of which they are part.

### Tax payables

This caption is comprised as follows:

	<u>31/12/14</u>	<u>31/12/13</u>
Income taxes	5,247	2,435
IRPEF withholdings	9,527	9,713
VAT payable	3,428	4,010
Other	<u>2,565</u>	<u>3,383</u>
Total	<u>20,767</u>	<u>19,541</u>

Tax payables are shown net of withholdings, tax exemption on dividends and advances.

Group management does not believe that the years open to inspection for the parent and its main subsidiaries at the reporting date (2010 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>31/12/14</u>	<u>31/12/13</u>
Due to employees:		
- wages and salaries	26,536	24,698
- holidays accrued but not taken	11,411	12,202
- other	<u>1,496</u>	<u>1,815</u>
	<u>39,443</u>	<u>38,715</u>
Due to agents	8,690	11,180
Other	<u>13,484</u>	<u>18,137</u>
	<u>22,174</u>	<u>29,317</u>
Total	<u>61,617</u>	<u>68,032</u>

“Other” includes the residual price that Coesia S.p.A. owes for the acquisition of IPI S.r.l. (€4,500 thousand) due within one month of approval of the 2014 financial statements by the subsidiary’s shareholders and, in any case, not after 30 June 2015.

#### **ACCRUED EXPENSES AND DEFERRED INCOME**

This caption is comprised as follows:

	<u>31/12/14</u>	<u>31/12/13</u>
Accrued expenses:		
- interest expense on bond issue	3,000	2,250
- interest expense on financial payables	2,922	1,157
- other	961	350
	<u>6,883</u>	<u>3,757</u>
Deferred income:		
- interest from customers	518	74
- services invoiced but not provided	917	2,268
- other	497	523
	<u>1,932</u>	<u>2,865</u>
Total accrued expenses and deferred income	<u>8,815</u>	<u>6,622</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, it is noted that this caption includes the notional amount (€31.8 million) of forward sales 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 subsidiaries G.D.M. S.p.A. and G.D S.p.A..

The 2014 fair value loss on these transactions is approximately €1,500 thousand, which has not been recognised since it relates to hedges.

The following transactions are also in place at 31 December 2014:

- 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 €21,553 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 2014 fair value loss on this transaction is €3,375 thousand, which has not been recognised since it relates to hedges.

Finally, there are interest rate swaps in place with Mediobanca, BNL, Unicredit and IntesaSanPaolo:

- Mediobanca: a swap with decreasing notional value, totalling €25,000 thousand at 31 December 2014, 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%;
- IntesaSanPaolo: a swap with decreasing notional value, totalling €55,000 thousand at 31 December 2014, in two tranches of €27,500 each agreed on 14 and 16 January 2013, respectively and both 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 0.52% for the first tranche and 0.4975% for the second;
- BNL: a swap with decreasing notional value, totalling €70,000 thousand at 31 December 2014, 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 2014, 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%;
  - MEDIOBANCA: a swap with decreasing notional value, totalling €100,000 thousand at 31 December 2014, agreed on 4 September 2014, starting from 30 January 2015 and expiring on 1 August 2019. The swap provides for the quarterly payment/collection of the difference between the 3-month Euribor and the 5-year fixed rate of 0.42%.

The 2014 fair value loss on these transactions is approximately €1,491 thousand, which has not been recognised since it relates to hedges.

### **Contingencies**

This caption includes the following:

Third-party assets with the group companies: the value of third-party assets held by Coesia group companies, specifically, the subsidiaries Sasib S.p.A., Acma S.p.A. and Cima S.p.A. for a total of €4,803 thousand.

## **PROFIT AND LOSS ACCOUNT**

### **PRODUCTION REVENUES**

#### **TURNOVER FROM SALES AND SERVICES**

Turnover from sales and services is composed as follows:

	<u>2014</u>	<u>2013</u>
- Turnover from sales:		
-- machinery	767,009	753,504
-- spare parts, groups and moulds – gears	<u>568,717</u>	<u>510,782</u>
	1,335,726	1,264,286
- Turnover from services	<u>114,324</u>	<u>105,083</u>
	<u>1,450,050</u>	<u>1,369,369</u>

The increase in revenues in the year following the acquisition of IPI group, whose profit and loss account was fully consolidated in 2014 for the first time, totals €55.1 million.

Turnover from sales and services is broken down below by geographical area (in millions of Euros):

	<u>2014</u>	<u>2013</u>
Italy	53.2	35.7
Europe	424.8	416.3
North America	227.8	251.7
South America	62.5	77.7
Asia and rest of world	<u>681.7</u>	<u>588.0</u>
Total	<u>1,450.0</u>	<u>1,369.4</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. The change with respect to the previous year is mainly due to the timing difference in orders and deliveries.

## **PRODUCTION COST**

### **SERVICES**

This caption is composed as follows:

	<u>2014</u>	<u>2013</u>
- Third party processing	78,031	122,310
- Maintenance	10,955	10,206
- Utilities (electricity, water and heating)	8,461	7,475
- Other utilities	8,097	7,904
- Commission expense	18,005	15,653
- Advertising, promotions, trade fairs and entertainment	14,152	13,672
- Technical, design, legal, tax, notary and administrative consultancy and IT services	42,805	46,722
- Travel expenses for installers and installations carried out by third parties on the group's behalf and other employee travel expenses	52,012	45,194
- Transport	27,361	27,474
- Company bodies' fees	3,924	5,995
- Patent costs	3,966	3,449
- Insurance premiums	3,691	3,915
- Other production and general expenses	33,843	40,929
Total	<u>305,303</u>	<u>350,898</u>

Company bodies' fees include €3,354 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.

A breakdown of employees by category at year end is provided below:

	<u>31/12/2014</u>	<u>31/12/2013</u>	<u>2014 average</u>
Management	361	339	357
White collars	4,340	4,093	4,257
Blue collars	<u>1,429</u>	<u>1,487</u>	<u>1,378</u>
Total	<u>6,130</u>	<u>5,919</u>	<u>5,973</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>2014</u>	<u>2013</u>
Interest and other income:		
- Bank interest income	885	1,993
- Interest income from customers	1,555	1,363
- Other interest and financial income	<u>397</u>	<u>7,254</u>
	2,837	10,610
Interest income from unconsolidated subsidiaries	1	2

Interest income from unconsolidated associates	<u>-</u>	<u>-</u>
Total	<u>2,838</u>	<u>10,612</u>

The decrease in other interest and financial income is mainly due to the unrealised losses on the R.A. Jones & Co's and certain Flexlink group companies' pension funds (2013: unrealised gains of €7,127 thousand), which have been recognised under other financial charges (see below).

#### INTEREST AND OTHER FINANCIAL CHARGES

"Other" is composed as follows:

	<u>2014</u>	<u>2013</u>
- Interest expense on bonds	5,250	4,500
- Bank charges	1,580	1,583
- Bank interest expense on loans and borrowings	14,242	12,694
- Interest expense to lease companies and other financial backers	679	293
- Discount interest expense	407	1,185
- Other	<u>9,406</u>	<u>159</u>
Total	<u>31,564</u>	<u>20,414</u>

The increase in "Other" includes the €8,981 thousand unrealised losses on the R.A. Jones & Co's, certain Flexlink group companies' and Norden group's pension funds .

Bank interest expense on loans and borrowings is largely due to interest and fees 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.

The increase in interest expense on bonds is due to the 2014 accrued interest on the new

bonds issued by Coesia S.p.A. in October 2014 described above in the note to bonds.

#### **EXCHANGE RATE GAINS AND LOSSES**

This caption is comprised as follows:

	<u>2014</u>	<u>2013</u>
- Exchange rate gains	27,556	7,093
- Exchange rate losses	<u>(19,871)</u>	<u>(14,871)</u>
Total	<u>7,685</u>	<u>(7,778)</u>

#### **Write-downs of investments**

This caption shows the write-downs for impairment losses mainly on the investments in the Italian group companies (MAST S.r.l. €164 thousand, Lesina Autonoleggio S.r.l. €36 thousand and Fare impresa in Dozza S.r.l. €26 thousand).

#### **EXTRAORDINARY INCOME AND EXPENSE**

##### **Expense**

This caption mainly includes income taxes not recognised in previous years.

##### **INCOME TAXES**

This caption is comprised of current taxes amounting to €64,869 thousand and net deferred tax income of €2,477 thousand. 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 2014 (Annex I);
- Statement of tangible fixed assets at 31 December 2014 (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 net equity at 31 December 2012, 2013 and 2014 (Annex V);
- Cash flow statement for the years ended 31 December 2014 and 2013 (Annex VI)

These consolidated financial statements are consistent with the accounting records.

Bologna, 21 April 2015

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli (signed on the original)

**STATEMENT OF INTANGIBLE FIXED ASSETS  
AT 31 DECEMBER 2014  
(in thousands of Euros)**

	Balance at 31 December 2013		Changes during the year				Balance at 31 December 2014				
	Historical cost	Accumulated amortisation	Carrying amount	Increase	Decrease	Amortisation	Change in cons. scope	Translation difference	Historical cost	Accumulated amortisation	Carrying amount
Start-up and capital costs	1,354	(1,228)	126	0	0	(5)	0	0	1,354	(1,233)	121
Industrial patents and intellectual property rights	12,565	(10,968)	1,597	387	0	(480)	0	7	12,959	(11,448)	1,511
Software licences	23,443	(20,969)	2,474	3,395	(34)	(1,885)	0	593	27,397	(22,854)	4,543
Application software	10,640	(9,873)	767	1,255	0	(506)	0	(26)	11,363	(9,873)	1,490
Trademarks	13,521	(2,687)	10,834	0	0	(1,272)	0	(935)	12,586	(3,959)	8,627
Goodwill	339,600	(56,931)	282,669	0	0	(33,906)	0	21,450	361,050	(90,839)	270,211
Goodwill arising on consolidation	232,926	(157,452)	75,474	1,339	(197)	(11,503)	0	(158)	233,910	(168,955)	64,955
Other:											
- Participation in moulds	5,047	(4,954)	93	45	0	(81)	0	0	5,011	(4,954)	57
- Leasehold improvements	8,100	(6,501)	1,599	4,092	0	(745)	0	24	11,472	(6,502)	4,970
- other	8,096	(2,927)	5,169	1,830	0	(1,947)	0	(206)	7,773	(2,927)	4,846
Total other	21,243	(14,382)	6,861	5,967	0	(2,773)	0	(182)	24,256	(14,383)	9,873
<b>TOTAL</b>	<b>655,292</b>	<b>(274,490)</b>	<b>380,802</b>	<b>12,343</b>	<b>(231)</b>	<b>(52,332)</b>	<b>0</b>	<b>20,748</b>	<b>684,875</b>	<b>(323,544)</b>	<b>361,331</b>
Assets under development and payments on account	7,677		7,677	6,482	(2,825)			4	11,338		11,338
<b>TOTAL INTANGIBLE FIXED ASSETS</b>	<b>662,969</b>	<b>(274,490)</b>	<b>388,479</b>	<b>18,825</b>	<b>(3,056)</b>	<b>(52,332)</b>	<b>0</b>	<b>20,752</b>	<b>696,213</b>	<b>(323,544)</b>	<b>372,669</b>

**STATEMENT OF TANGIBLE FIXED ASSETS**  
**AT 31 DECEMBER 2014**  
(in thousands of Euros)

	Balance at 31 December 2013		Changes during the year				Balance at 31 December 2014			
	Cost	Accumulated depreciation	Increase	Depreciation	Change in cons. scope	Translation difference	Disposals	Cost	Accumulated depreciation	Carrying amount
Land and buildings	219,997	(88,065)	60,380	(6,971)	0	1,761	(2,295)	283,327	(96,739)	186,588
Fixed plant	36,276	(24,927)	8,589	(2,790)	0	23	(84)	44,706	(27,654)	17,052
Machinery	193,612	(175,985)	4,674	(4,662)	0	(129)	(1,791)	194,721	(177,715)	17,006
Tools and equipment	21,840	(15,398)	6,756	(3,052)	0	(70)	(904)	48,743	(38,758)	9,985
Models and moulds	10,472	(9,772)	386	(410)	0	6	(36)	10,802	(10,076)	726
Office furniture and fittings	22,532	(16,955)	1,840	(1,396)	0	31	(756)	24,311	(18,436)	5,875
Electronic accounting machines	37,640	(32,641)	2,815	(2,016)	0	166	(911)	39,275	(33,399)	5,876
vehicles	5,778	(4,297)	316	(524)	0	7	(386)	5,710	(4,561)	1,149
<b>TOTAL</b>	<b>548,147</b>	<b>(368,040)</b>	<b>85,756</b>	<b>(21,821)</b>	<b>0</b>	<b>1,795</b>	<b>(7,163)</b>	<b>651,595</b>	<b>(407,338)</b>	<b>244,257</b>
Assets under construction and payments on account	69,038		7,731	0	0	21	(67,138)	9,652	0	9,652
<b>TOTAL TANGIBLE FIXED ASSETS</b>	<b>249,145</b>		<b>93,487</b>	<b>(21,821)</b>	<b>0</b>	<b>1,816</b>	<b>(74,301)</b>	<b>661,247</b>	<b>(407,338)</b>	<b>253,909</b>

**STATEMENT INDICATING THE REVALUATION OF ASSETS STILL ON THE BOOKS AT  
31 DECEMBER 2014 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
<b>Tangible fixed assets:</b>								
Land and buildings	12	180	443	-	777	-	28	1,440
Fixed plant	-	-	-	-	-	-	-	-
Machinery	16	300	-	17,475	26,464	25,904	-	70,159
Furniture	-	107	-	-	-	-	-	107
Electronic accounting machines	-	7	-	-	-	-	-	7
Tools and equipment	1	8	-	-	-	-	-	9
Models	3	32	-	-	-	-	-	35
Vehicles	-	-	-	-	-	-	-	-
<b>Total tangible fixed assets</b>	<b>32</b>	<b>634</b>	<b>443</b>	<b>17,475</b>	<b>27,241</b>	<b>25,904</b>	<b>28</b>	<b>71,757</b>



## LIST OF CONSOLIDATED INVESTMENTS

COMPANY	REGISTERED OFFICE	SHARE/QUOTA CAPITAL	% OF OWNERSHIP	
			DIRECT	INDIRECT
<b>Consolidated companies:</b>				
ACMA S.p.A.	Bologna	€9,300,000	100.00%	
C.I.M.A. S.p.A.	Villanova (Bologna)	€4,810,000	100.00%	
Comasca S.r.l.	Scarperia (Florence)	€41,600		100.00%
G.D Automatic Machinery Ltd	Berkshire (UK)	GBP10,000		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 (China)	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)	€1746870		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.	Piacenza	€137,405	100.00%	
Nova Prefabbricati S.r.l.	Bologna	€15,000		100.00%
TOCECO Ltd	Hong Kong (China)	HKD10,000		100.00%
TOCECO International Trading Ltd	Shanghai (China)	HKD12,569,026		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%	
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%	
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%	
Norden UK Ltd	Milton Keynes (UK)	GBP15,000		100.00%
Franssons Maskinbearbetning I Kalmar AB	Kalmar (Sweden)	SEK200,000		100.00%
Cilus Kalix Sas	Courcouronnes (France)	€7,193,040		100.00%
ADMV Sas	Cremieu (France)	€64,000		100.00%
Sacmo Sa	Holnon (France)	€1,028,170		100.00%
Norden GmbH	Ostfildern (Germany)	€25,565		100.00%
Sirius Machinery Co Ltd	Suzhou (China)	CNY15,782,000		100.00%
Tecnomeccanica S.r.l.	Castenaso (BO)	€92,444		100.00%
Coesia Finance S.p.A. (formerly A&C 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	Gothenburg (Sweden)	SEK3,285,000	100.00%	
R.A JONES & CO.	Davenport / Covington (USA)	USD10	100.00%	
Flexlink AB	Gothenburg (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	Poznan (Poland)	PLN480,000		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	Barcelona (Spain)	€123,000		100.00%
Flexlink Systems Pte Ltd.	Singapore	SGD1		100.00%
Flexlink Systems Ltda	San Paolo (Brazil)	BRL666,000		100.00%
Flexlink Systems Pty Ltd.	Mount Waverley (Australia)	AUD1		100.00%
Flexlink Systems Sdn Bhd	Kuala Lumpur (Malaysia)	MYR1		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 (US)	USD1,000		100.00%
Flexlink Systems Sas	Elancourt (France)	€80,000		100.00%
Flexlink Systems Canada Inc.	Burlington (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 Kft	Budapest (Hungary)	HUF10,000,000		100.00%
Flexlink Systems S.p.A.	Rivoli (Turin)	€306,000		100.00%
Flexlink Systems Bv.	Amsterdam (The Netherlands)	€23,000		100.00%
Flexlink Systems Nv.	Heverlee (Belgium)	€62,000		100.00%
Intramotion LLC	Lviv (Ukraine)	UAH471,000		100.00%
Oberger Dalen- und Systemtechnik GMBH (Obsys)	Offenbach (Germany)	€25,000		100.00%
G.D South Africa Technical Centre (PTY) Ltd	Johannesburg (South Africa)	ZAR100		100.00%
Coesia Korea Co. Ltd	South Korea	WON50,000		100.00%
IPI S.r.l.	Perugia	€13,000,000	100.00%	
IPI Asia Pacific	Bangkok (Thailand)	BATH 4,000,000		49.00%
IPI Ukraine LTD	Kiev (Ukraine)	UAH100,017		100.00%
IPI Beverage Pack Syst. IBE S.L.	Barcelona (Spain)	€3,010		100.00%
IPI Paketleme San. Ve. Tic. LTD	Istanbul (Turkey)	TRY679,600		100.00%
CSCJ Acma Rus	Moscow (Russia)	RUB10,000		100.00%
<b>Companies measured using the equity method</b>				
S.C. Dico Romania S.r.l.	Comuna Pielesti (Romania)	RON6,190,870		40.00%
Tsubaki Flexlink Co.	Tokyo (Japan)	JPY50,000		49.00%
<b>Companies measured at cost</b>				
ADEC S.A.	Argentina			100.00%
Lesina Autonoleggi S.r.l.	Bologna	€15,000		99.00%
Fare Impresa in Dozza S.r.l. - Impresa sociale	Bologna	€20,000		30.00%
MAST S.r.l. (formerly Ctai Kids S.r.l.)	Bologna	€250,000		100.00%

**STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014**  
(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
<b>Net equity at 31 December 2011</b>	<b>125,000</b>	<b>0</b>	<b>11,426</b>	<b>86,135</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,519</b>	<b>24,319</b>	<b>60,727</b>	<b>311,126</b>
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
<b>Net equity at 31 December 2012</b>	<b>125,000</b>	<b>0</b>	<b>11,633</b>	<b>86,135</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64,153</b>	<b>26,930</b>	<b>75,909</b>	<b>389,760</b>
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
<b>Net equity at 31 December 2013</b>	<b>125,000</b>	<b>0</b>	<b>11,907</b>	<b>86,135</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>123,781</b>	<b>7,889</b>	<b>64,412</b>	<b>419,124</b>
Allocation of net profit for 2013			365					64,047		(64,412)	0
Distribution of dividends											0
Reclassification under reserves											
Translation difference									15,927		15,927
Other changes								(25)			(25)
Net profit for the year										77,620	77,620
<b>Net equity at 31 December 2014</b>	<b>125,000</b>	<b>0</b>	<b>12,272</b>	<b>86,135</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>187,803</b>	<b>23,816</b>	<b>77,620</b>	<b>512,646</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**  
(in thousands of Euros)

	2014	2013
<b>A. Cash flows from operating activities (indirect method)</b>		
Net profit for the year	77,620	64,412
Income taxes	64,869	61,101
Net interest expense	28,726	9,815
Net losses (gains) on disposals of tangible and intangible fixed assets	(4,836)	1,553
<b>1. Net profit for the year before income taxes, interest, dividends and gains/losses on sale of assets</b>	<b>166,379</b>	<b>136,881</b>
<i>Adjustments for non-monetary items that did not affect net working capital</i>		
Accruals to provisions for risks	11,604	14,934
Accruals to the provision for bad debts	4,026	1,154
Accruals to employees' leaving entitlement	9,220	8,713
Amortisation and depreciation	74,153	67,922
Change in payables to minority shareholders	17	(2)
Translation difference on current assets	(6,637)	(4,606)
<b>2. Cash flows before changes in net working capital</b>	<b>92,383</b>	<b>88,115</b>
<i>Changes in net working capital</i>		
Decrease/(increase) in inventory	49,958	(59,036)
Decrease/(increase) in trade receivables, net of advance from customers	(28,409)	2,555
Increase/(decrease) in trade payables	(50,555)	31,500
Decrease/(increase) in prepayments and accrued income	(441)	99
Increase/(decrease) in accrued expenses and deferred income	2,193	(245)
Other changes in net working capital	(17,909)	5,493
<b>3. Cash flows after changes in net working capital</b>	<b>(45,253)</b>	<b>(19,634)</b>
<i>Other adjustments</i>		
Net interest paid	(26,211)	(9,786)
Income taxes paid	(60,143)	(63,079)
Utilisation of employees' leaving entitlement	(10,066)	(9,865)
Release (use) of provisions for risks	3,057	(22,590)
<b>4. Cash flows after other adjustments</b>	<b>(93,363)</b>	<b>(105,320)</b>
<i>Cash flows from operating activities (A)</i>	<b>120,146</b>	<b>100,042</b>
<b>B. Cash flows from investing activities</b>		
<i>Tangible fixed assets</i>		
Investments	(93,487)	(45,394)
Proceeds from disposals	73,554	(7)
<i>Intangible fixed assets</i>		
Investments	(18,825)	(11,164)
Proceeds from disposals	3,056	1,584
<i>Financial fixed assets</i>		
Investments	(738)	49
<i>Current financial assets</i>		
Investments	(19,895)	6,698
<i>Acquisition or sale of subsidiaries or business units, net of liquid funds</i>		
<b>Cash flows used in investing activities (B)</b>	<b>(56,335)</b>	<b>(85,949)</b>
<b>C. Cash flows from financing activities</b>		
<i>Third party funds</i>		
Increase (decrease) in current bank loans and borrowings	(1,934)	1,536
New loans	100,000	120,000
Repayment of loans	(96,789)	(169,189)
Interim dividends paid	-	(16,000)
<b>Cash flows from (used in) financing activities (C)</b>	<b>1,277</b>	<b>(63,653)</b>
<b>Increase (decrease) in liquid funds (A ± B ± C)</b>	<b>65,088</b>	<b>(49,560)</b>
Opening liquid funds	223,713	273,273
Closing liquid funds	288,801	223,713
	<b>65,088</b>	<b>(49,560)</b>