KPMG

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

COESIA S.p.A.

Separate financial statements as at and for the year ended 31 December 2016

(with independent auditors' report thereon)

KPMG S.p.A.

3 May 2017

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
COESIA S.p.A.

Report on the separate financial statements

We have audited the accompanying separate financial statements of COESIA S.p.A., which comprise the balance sheet as at 31 December 2016, the profit and loss account and cash flow statement for the year then ended and notes thereto.

Directors' responsibility for the separate financial statements

The directors of COESIA S.p.A. are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of COESIA S.p.A. as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is the responsibility of the directors of COESIA S.p.A., with the separate financial statements. In our opinion, the directors' report is consistent with the separate financial statements of COESIA S.p.A. as at and for the year ended 31 December 2016.

Bologna, 3 May 2017

KPMG S.p.A.

(signed on the original)

Rodolfo Curti
Director of Audit

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

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

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

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SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT

Dear shareholders,

This report accompanies the separate financial statements of Coesia S.p.A. as at and for the year ended 31 December 2016, which we submit for your approval.

Events of the year and activities of the company

COESIA S.p.A. is the holding company of an industrial group. Its subsidiaries' core business relates to the design, construction and sale of (i) automated packing and packaging machinery for the tobacco, food, cosmetics, pharmaceutical, nappy, consumer goods segments, aseptic filler machines, 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, in-line printing and premium and luxury goods packaging equipment (Industrial Process Solutions) and (iii) gears on behalf of third parties (Precision Gears).

In June 2016, Coesia S.p.A. acquired 100% of Emmeci S.p.A., a world-leader in the design, production and promotion of automated machinery for the production of premium and luxury goods packaging. In 2016, the Emmeci Group, with about 90 employees, recorded total sales of approximately €28 million. This transaction is another step towards the presence of the Coesia Group in the most attractive segments of the packaging industry as it enabled it to enter the premium and luxury goods packing segment.

In July 2016, the Coesia Group acquired 100% of CR Holding S.p.A., which, in turn, wholly owns GF S.p.A., a company based in Solignano (Parma) which provides quality control systems and automated machinery for liquid filling. The aim of the transaction is to apply these innovative technologies to the automated machinery for the packing of tobacco products, specifically the production of electronic cigarettes with liquid cartridges.

COESIA S.p.A. is the direct parent of the following companies operating in the various group businesses and belonging to the following operating segments, i.e.:

ADVANCED AUTOMATED MACHINERY & MATERIALS (AAM&M)

- G.D S.p.A., with registered office in Bologna, is mainly 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, Turkey and the United Arab Emirates) 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: (i) Sasib S.p.A., with registered office in Castel Maggiore (Bologna), a company that produces automated machinery for the tobacco industry with a large 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 and (ii) GF S.p.A., with registered office in Solignano (Parma), a company that provides quality control systems and automated machinery for liquid filling, mainly for the pharmaceutical industry.
- 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 packaging 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. It directly controls SACMO SA and ADMV SAS which are consolidated within the Industrial Process Solutions (IPS) operating segment.
- 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;
- R.A. JONES & CO. INC., based in Covington (Kentucky) in the United States, produces automated machinery for the food segment and for consumer goods manufacturing in general;
- IPI S.r.l., with registered office in Perugia, produces aseptic filler machines, package opening and closing systems and multi-layer packaging material using a combination of polyethylene, paper and aluminium sheets. IPI has two production sites in the Perugia area.

<u>INDUSTRIAL PROCESS SOLUTIONS (IPS)</u>

- FLEXLINK AB, a Swedish group with registered office in Gothenburg (Sweden), operates in the design, construction and sale of manufacturing logistics solutions;
- HAPA AG, with registered office in Zurich (Switzerland), is active in the in-line printing solutions for the pharmaceutical industry;
- ADMV SAS, with registered office in Bourgoin Jailieu (France), manufactures robotic systems, bowl feeders and disk feeders, blade elevators, depalletizers, palletizers and vision systems;
- SACMO SA, with registered office in Saint-Quentin (France), designs full packaging machinery production lines and rebuilds and retrofits machinery already being used in

production.

- EMMECI S.p.A., with registered office in Cerreto Guidi (Florence), designs, produces and promotes automated machinery for the production of premium and luxury goods packaging.

OTHERS

- CIMA S.p.A., with registered office in Bologna, designs and manufactures high performance precision gears, gearboxes and suppressors for the racing, aerospace, automotive and automated machinery segments.

The macroeconomic situation

The macroeconomic situation was still uncertain at the end of 2016, with global economic activities again held back by smaller growth in emerging countries, while the slight revival of advanced economies continued, but at a slower pace than in 2015 in the main economic regions. In 2016, US GDP rose 1.6% (+2.6% on 2015), Eurozone GDP rose 1.7% (+2.0% on 2015). In Germany, it grew only 1.7% (slightly up on 2015), whereas in Japan, it increased 0.9% (+1.2% on 2015). In the emerging countries, economic activity slowed, although it remained at positive levels in China and India. Chinese GDP grew 6.7%, compared to growth of 6.9% in 2015, while India's GDP climbed 6.6%, compared to approximately 7.6% in 2015.

According to the International Monetary Fund's most recent estimates, at a global level, the expected growth for 2017 and 2018 should be around 3.4% and 3.6%, respectively, in line with the estimates made during the year.

However, this forecast is affected by the significant uncertainties surrounding the global geopolitical situation, especially the development of the political situation in the US (and its impacts) following the recent presidential elections.

The growth of the Euro area in 2017 should be 1.6%, slightly down on 2016 as a result of the expected decline in the growth of most of the main advanced economies of the area (Germany, Italy and Spain). Japan continues to struggle, with a 0.8% growth predicted in 2017.

In the emerging and developing countries, the growth in the coming two years is expected to remain steady at over 4% per year, from 4.5 % in 2017 and 4.8% in 2018 compared to 4.1% in 2016.

Markets

With regard to the operating segments of the group companies, the results achieved in 2016 were in line with forecasts, slightly down on 2015. They were particularly good for the Group, despite the still uncertain macroeconomic situation.

Coesia Group's operating segments are analysed as follows.

Advanced Automated Machinery and Materials (AAM&M)

2016 decreased slightly on the previous year in a tough market situation. With regard to the tobacco market, global cigarette consumption remained substantially steady thanks to positive market trends in South East Asia, the Middle East and Africa, offsetting the slowdown in consumption in western markets and China. Thanks to the focus on innovative products and improving after-sales services to customers, the fall in demand for standard machinery was cushioned. This is an opportunity for growth in order to provide increasingly efficient solutions to cut production costs for the Group's customers. The new EU Tobacco Products Directive ("TPD"), currently being transposed by national governments, places significant restrictions on tobacco products. However, there are still many possibilities of interpretation, creating uncertainties that are reflected in the stalling tactics currently seen in market investments. These new regulations also create an opportunity for supplying kits and transformation groups for existing machinery in order to adapt them to the new legislation and supply innovative products.

In this tough market situation, the start-of-the-year expected sales results for the tobacco business were met by increasing territorial coverage, customer portfolio and expanding services, while profitability remained in line with the previous year thanks to the continued project efficiency and the favourable product mix. Despite the decrease on the previous year already envisaged in the budget, the successful results achieved by the tobacco business offset the reduction in the consumer goods and aseptic filling machinery and materials business, which were unable to match the excellent results of the prior year as a consequence of greater investments and the focus on new platforms in prototype stage. The growth trend for these sectors is confirmed in Western markets and in the most industrialised countries, where investments are tied to the need to diversify and innovate products and the demand for greater efficiency in production processes which are met by the product portfolio and quality of after-sales services in the consumer goods machinery business. In emerging and developing countries, growth trends are supported by the increase in the demand for consumer goods and the growing need for automated production processes.

In 2016, the focus remained the ability to provide high-tech and strongly innovative products, improving project execution, adopting actions specifically aimed at innovating after-sales services and ongoing monitoring of cost evolution.

The Group's significant investments in R&D and its global presence mean the Group foresees a positive outlook in sales and profitability for the future. Investments underway are aimed at improving both the technical characteristics of group products and broadening the service portfolio, thus guaranteeing the performance of investments for customers over their useful life.

Industrial Process Solutions (IPS)

2016 also saw significant improvements in results for the IPS segment compared to the previous year with regard to the main financial indicators. The reference markets recorded trends in line with the global macroeconomic situation, increasing Europe and North America and in the main business segments (Automotive, Pharmaceuticals and Food and Consumer Goods) and showing positive trends in emerging and developing countries. The main companies of the segment also achieved significant improvements in project execution and testing processes and important efficiencies in the cost base.

Forecasts for 2017 show further systematic organic growth with strategies continuing from previous years and the full integration of the Emmeci Group in the business segment.

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.

Furthermore, in relation to market risks for the subsidiary G.D., there are new stricter laws being introduced in the European Union, as well as in non-EU countries, that may have additional influence on cigarette consumption and the demand for new machinery. The new laws may have an impact on the demand for machinery and a possible pressure on prices with an effect on the company’s profitability. This risk is mitigated by the opportunities to transform existing machinery in order to adapt them to the new legislation and the supply of innovative products.

Though present, the related credit, liquidity, currency and interest rate risks do not have significant potential impacts on the current consolidated financial position and that of individual group companies. In any case, they are suitably monitored and managed, as commented on in the notes to the consolidated financial statements. Specifically, the policy of COESIA and its subsidiaries is to mitigate currency and interest rate risks via specific hedges.

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

As noted, COESIA’s and its subsidiaries’ market is characterised by demand for highly technological and innovative solutions and, accordingly, the Group invests around 4.5% of its revenue in R&D. In this context, employees’ expertise is of strategic importance, especially in technical areas. The Group invests heavily and constantly in training and retaining its employees and in the work place. It carefully monitors and applies the relevant labour legislation, especially that covering occupational health and safety. The parent and main Italian group companies adopted the management model provided for by Legislative decree no. 231/2001 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

In 2016, the company achieved a net profit of €51.7 million (2015: €22.9 million). It is mainly characterised by dividends from subsidiaries totalling €69.2 million (including €60 million from G.D S.p.A., €6 million from Flexlink AB and €3.2 million from HAPA AG), compared to €16 million in 2015.

Trends in financial position are shown in the cash flow statement. The net financial debt at 31 December 2016 amounts to €485.6 million, compared to €457.8 million at 31 December 2015 (including securities, the fair value of derivatives, financial receivables/payables from/to subsidiaries, the financial payable to the parent, bonds and payables for dividends to the parent).

Bank loan and borrowings total €180 million at 31 December 2016 and include a bullet loan of €100 million granted in 2015 and due in 2019, a bullet loan of €30 million due in 2018 and a bullet loan of €50 million due in 2020. Furthermore, there are two bond issues of €100 million each in place at 31 December 2016, redeemable on 30 June 2018 and 1 October 2021, respectively.

Net financial debt worsened mainly due to the loan for the above-mentioned acquisition of Emmeci Group.

Financial charges of €14 million decreased on the previous year (€18.7 million for 2015) as a result of the improvement in the interest rates on debts.

Presentation of the consolidated financial statements

As the company holds significant controlling interests, as defined by article 2359 of the Italian

Civil Code, and for more complete disclosure, it has prepared consolidated financial statements as at and for the year ended 31 December 2016 pursuant to Legislative decree no. 127/91. The consolidated financial statements will be filed together with the separate financial statements. Since 2015, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure as per article 6 of Regulation EC no. 1606/2002 of the European Parliament and Council of 19 July 2002 and pursuant to article 9 of Legislative decree no. 38/05.

Research and development activities

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

Related party transactions

A detailed list of all transactions with group companies, carried out on an arm’s length basis, is included in the notes to the separate financial statements, to which reference should be made.

The performance of the main subsidiaries is discussed below, referring to IFRS data provided by the latter for the purposes of the preparation of the 2016 consolidated financial statements:

- G.D S.p.A.’s 2016 turnover is slightly below the prior year, down from €668.3 million in 2015 to €633 million in 2016. Its operating profit is €147.4 million (€186.4 million in 2015), after R&D expenditure of around 4.1% of turnover. The worsening on 2015 is mainly due to smaller sales volumes following the transition to new generation products which resulted in the multinationals adopting a more wait-and-see approach on standard machines, as well as to the payment of extraordinary remuneration to the top management. forecasts for the year 2017 remain positive thanks to new investments by the customers;
- A.C.M.A. S.p.A. ended the year with an operating loss of €1.2 million, down on the previous year (in 2015, the operating profit was €1.6 million), mainly caused by the temporary drop in revenues. Future growth prospects are confirmed, thanks to the volume of orders in line with

the previous year and the successful development of the projects for the ongoing improvement of efficiency which enabled the company to better control contract costs and significantly cut indirect costs;

- In 2016, GDM S.p.A.'s turnover continued to increase compared to 2015: turnover in 2016 (€79.2 million) is greater than 2015 (€77.1 million), recording a significant increase in machinery. Conversely, operating profit dropped slightly from €9.9 million in 2015 to €8.8 million in 2016. The company ended the year with a good number of commercial negotiations to be fulfilled in 2017 and it predicts further expansion and customer portfolio diversification;
- VOLPAK SA ended 2016 with turnover (€41.2 million) significantly below 2015 (€64 million). The operating loss worsened from €0.3 million in 2015 to €3.6 million in 2016 due to the reduction in turnover and higher costs to execute innovative highly-technological projects. The financial performance for the year was also affected by the delays in receiving orders from key customers in the first few months of the year. The company closed a good number of commercial negotiations in the last quarter of 2016. Consequently, 2017 is set to be a year of robust recovery;
- CIMA S.p.A. performed better in 2016 than in 2015. The company's 2016 turnover is up on the previous year (from €22.1 million in 2015 to €24.7 million in 2016), and the operating profit grew from €1.7 million in 2015 to €2.3 million in 2016. The significant improvement in profitability is mainly due to the favourable product sales mix, achieved also thanks to the diversification in the customer portfolio and penetration into new sectors, such as racing and aeronautics, which began in previous years;
- in 2016, Hapa AG enjoyed growth in consolidated turnover (€55.4 million in 2016, compared to €50.1 million in 2015), while its operating profit dropped slightly (€5.8 million in 2016, compared to €6.7 million in 2015). This decrease is mainly due to the slight reduction in the

sales mix which, however, is expected to recover in 2017;

- Norden group, which also includes Citus Kalix Sas, improved its turnover in 2016, which grew from €117 million in 2015 to €123.4 million in 2016, mainly related to the filling tube segment, while operating profit decreased to €6.7 million (€8.5 million in 2015) as a result of an unfavourable project mix compared to the previous year;
- Flexlink group ended 2016 with consolidated turnover of €221.5 million (2015: €219.3 million) and an operating profit of €25.4 million (2015: €20.5 million). The 2016 operating profit reflects the favourable impact of the project mix which saw a prevalence of medium-sized orders and with a high level of innovation. Furthermore, the company implemented effective cost control actions and improvements in productive and logistic processes. The strategy for 2017 carries on in continuity with the previous year. The new year has seen a positive start with a higher order backlog and a significant number of customer negotiations;
- R.A. Jones & Co. posted 2016 turnover of €110.6 million (€138.6 million in 2015) and an operating profit of €16.9 million (€19.1 million in 2015). The drop in the company's turnover is mainly due to the expected reduction in the revenues from a top customer. 2016 was characterised by the focus on after-sales activities, improvements in project execution and testing processes and important cost streamlining related to both industrial and operating costs and overheads. The current order backlog and the number of customer negotiations underway will support the growth expected for 2017, also based on the diversification of the customer portfolio;
- Lastly, IPI group ended 2016 with turnover of €54.1 million (2015: €61.9 million) and an operating profit of €1.5 million (2015: €5.5 million). The key operating and financial indicators of IPI are generally consistent with the expectations. During the year, IPI group launched an internal reorganisation process to better support the considerable production and technological investments underway. Specifically, it strengthened the sales structure in order

to adequately deal with customer diversification processes, increase its presence in the main markets and support the growth expected in the next few years.

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

Number and nominal value of own shares or shares of parents

The company does not hold any own shares.

Management and coordination

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

Other information required by article 2364 of the Italian Civil Code

The Board of directors elected to take advantage of the option of the extended term of 180 days from year end for approving the financial statements at 31 December 2016. This option is permitted by article 2364 of the Italian Civil Code and is in conformity with the provisions of the company's by-laws. The decision was made in light of the fact that the company is required to prepare consolidated financial statements.

Outlook

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

Positive forecasts can be confirmed for the Coesia Group in 2017 considering the trends in negotiations underway with customers, incoming orders expected during the year and the current backlog. Expectations for the Advanced Automated Machinery & Materials operating segment entail an increase in the main financial results, maintaining profitability thanks to the product mix, the expansion of the sales coverage and efficiency programmes for processes with risks deriving from the normal volatile nature of the business against an uncertain macroeconomic backdrop.

The Industrial Process Solutions segment is expected to improve its financial results in 2017, in terms of both sales and profitability. In line with previous years, the strategy focuses on segments and products with strong innovation and differentiation characteristics, specifically those related to industry 4.0, in order to boost penetration into more profitable sectors. It will particularly target strengthening and further developing relations with leading global players, expanding the sales territory and implementing actions to boost the efficiency of industrial and operating processes.

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

Bologna, 3 May 2017

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli

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

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

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

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SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(figures shown in Euros)

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	31 December	31 December
BALANCE SHEET	**2016**	**2015**
ASSETS		
(A) Share capital proceeds		
to be received	0	0
(B) Fixed assets		
I - Intangible fixed assets:		
4) Concessions, licences, trademarks and similar rights	308,737	343,521
6) Assets under development and payments on account	0	0
7) Other	2,873,494	3,627,532
Total	3,182,231	3,971,053
II - Tangible fixed assets	0	0
III - Financial fixed assets		
1) Investments:		
a) subsidiaries	706,912,967	677,341,541
2) Financial receivables		

d-bis) from others		
- due within one year	3,750,000	0
- due after one year	28,900	3,771,700
Total	710,691,867	681,113,241
Total fixed assets (B)	713,874,098	685,084,294
(C) Current assets		
I - Inventory	0	0
II - Receivables		
2) From subsidiaries:		
- due within one year	4,427,605	3,143,188
- due after one year	43,757,739	51,001,178
4) From the parent	4,973,767	5,310,924
5-bis) Tax receivables	590,826	163,855
5-ter) Deferred tax assets	1,525,691	374,260
5-quater) From others	531,020	80,894
Total receivables	55,806,648	60,074,299
III - Current financial assets		
5) Derivatives	48,796	4,088
6) Other securities	33,112,864	26,607,364
Total current financial assets	33,161,660	26,611,452
IV - Liquid funds		
1) Bank and postal accounts	873,029	5,185,558
3) Cash-in-hand and cash equivalents	4,517	6,226
Total liquid funds	877,546	5,191,784

Total current assets	89,845,854	91,877,535
(D) Prepayments and accrued income	46,045	77,441
TOTAL ASSETS	803,765,997	777,039,270
LIABILITIES		
(A) Net equity		
I - Share capital	125,000,000	125,000,000
II - Share premium reserve	0	0
III - Revaluation reserves	0	0
IV - Legal reserve	10,447,099	9,300,924
V - Statutory reserves	0	0
VI - Other reserves		
1) Extraordinary reserve	33,934,971	67,093,011
2) Translation reserve	8,234,912	3,299,538
3) Euro rounding reserve	1	2
VII – Hedging reserves	(1,624,843)	(1,185,157)
VIII - Retained earnings/(losses carried forward)	0	0
IX - Net profit for the year	51,727,554	22,923,509
X – Reserve for own shares	0	0
Total net equity	227,719,694	226,431,827
(B) Provisions for risks and charges		
2) Tax provision, including deferred tax liabilities	2,159,920	2,472,487
3) Derivatives	2,157,926	1,563,505
4) Other provisions	4,070,000	450,000
Total provisions for risks and charges	8,387,846	4,485,992

	2016	2015
(C) Employees' leaving		
entitlement	73,779	110,868
(D) Payables		
1) Bonds:		
- due after one year	130,000,000	180,000,000
3) Shareholders' loans:		
- due after one year	70,000,000	20,000,000
4) Bank loans and borrowings		
- due after one year	179,896,269	145,000,000
Total bank loans and borrowings	179,896,269	145,000,000
7) Trade payables	1,671,483	1,822,292
9) Payables to subsidiaries	171,540,289	194,614,749
11) Payables to the parent	10,000,000	0
11bis) Payables to subsidiaries of parents	1,300	0
12) Tax payables	505,046	454,621
13) Social security charges		
payable	86,049	146,697
14) Other payables		
- due within one year	414,088	405,775
Total payables	564,114,524	542,444,134
(E) Accrued expenses and deferred income	3,470,154	3,566,449
TOTAL LIABILITIES	803,765,997	777,039,270

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PROFIT AND LOSS ACCOUNT	**2016**	**2015**
(A) Production revenues		

5) Other revenues and income	6,765,915	5,644,429
Total production revenues	6,765,915	5,644,429
(B) Production cost		
7) Services	11,435,989	5,752,914
8) Use of third party assets	204,537	256,576
9) Personnel expenses:		
a) wages and salaries	3,281,256	1,828,964
b) social security contributions	409,156	470,071
c) employees' leaving entitlement	106,225	106,086
e) other costs	22,754	30,779
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible		
fixed assets	929,835	1,864,743
13) Other provisions	3,620,000	0
14) Other operating costs	85,491	9,961
Total production cost	20,095,243	10,320,094
Operating loss		
	(13,329,328)	(4,675,665)
(C) Financial income and charges		
15) Income from investments		
in subsidiaries		
a) dividends	69,236,477	16,000,000
b) gains on sale	0	17,364,185
16) Other financial income		
d) other income	566,608	661,231

- interest from subsidiaries	2,982,681	3,283,695
17) Interest and other financial charges:		
- interest to subsidiaries	(2,720,007)	(2,931,951)
- interest to the parent	0	0
- other	(11,355,064)	(15,753,111)
- losses on sale	(622,353)	0
17-bis) Net exchange rate gains	1,491,299	5,666,117
Net financial income	59,579,641	24,290,166
(D) Adjustments to financial assets		
18) Write-backs		
d) derivatives	37,952	0
19) Write-downs		
a) investments	0	(17,663)
d) derivatives	(9,132)	0
Total adjustments to financial assets	28,820	(17,663)
Pre-tax profit	46,279,133	19,596,837
20) Income taxes,		
current and deferred	1,325,149	(1,269,779)
- income due to participation in the		
national tax consolidation scheme	4,123,272	4,596,451
21) Net profit for the year	51,727,554	22,923,509

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CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(in Euro)

	2016	2015
A. Cash flows from operating activities (indirect method)		
Net profit for the year	**51,727,554**	**22,923,509**
Income taxes	(4,123,272)	(4,596,451)
Net interest expense	10,525,780	14,740,140
Dividends collected	(69,236,480)	(16,000,000)
Net losses (gains) on disposals of tangible and intangible fixed assets	622.353	(17,364,185)
1. Net profit for the year before income taxes, interest, dividends and gains/losses on sale of assets	***(10,484,065)***	***(296,987)***
Adjustments for non-monetary items that did not affect net working capital		
Accruals to provisions for risks	3,620,000	1,292,440
Accruals to employees' leaving entitlement	106,230	106,090
Amortisation and depreciation	929,840	1,864,740
Write-downs for impairment	-	17,660
Year-end measurement of derivatives	2,108,926	-
Hedging reserve	(1,624,843)	-
2. Cash flows before changes in net working capital	***(5,343,912)***	***2,983,943***
Changes in net working capital		
Increase/(decrease) in trade payables	(149,509)	929,660
Decrease in prepayments and accrued income	31,396	3,380
Increase/(decrease) in accrued expenses and deferred income	42,705	(233,240)
Other changes in net working capital	(5,150,351)	(3,709,666)
3. Cash flows after changes in net working capital	***(10,569,671)***	***(25,923)***
Other adjustments		
Net interest paid	(10,664,780)	(15,060,545)
Income taxes paid	4,596,270	5,332,000
Dividends collected	69,236,480	16,000,000
Utilisation of employees' leaving entitlement	(143,310)	(98,300)
Cash flows from operating activities (A)	***52,454,989***	***6,147,232***
B. Cash flows from investing activities		
Intangible fixed assets		
Investments	(142,000)	(1,068,000)
Proceeds from disposals	-	-
Financial fixed assets		
Investments	(29,578,200)	-
Proceeds from disposals	-	18,355,000
Current financial assets		
Investments	(6,505,296)	(6,543,380)
Proceeds from disposals	-	-
Cash flows from (used in) investing activities (B)	***(36,225,496)***	***10,743,620***
C. Cash flows from financing activities		
New loans	49,896,269	152,394,000
Repayment of loans	(15,000,000)	(205,000,000)
Increase (decrease) in financial payables to subsidiaries	(15,440,000)	-
Dividends and interim dividends paid	(40,000,000)	-
Cash flows used in financing activities (C)	***(20,543,731)***	***(52,606,000)***
Decrease in liquid funds (A ± B ± C)	**(4,314,238)**	**(35,715,148)**
Opening liquid funds	5,191,784	40,906,932
Closing liquid funds	877,546	5,191,784

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(in thousands of Euros)

COMPANY PROFILE, BUSINESS ACTIVITIES AND EVENTS OF THE YEAR

Coesia S.p.A. is the holding company of an industrial group. Its subsidiaries' core business relates to the design, construction and sale of (i) automated packing and packaging machinery for the tobacco, food, cosmetics, pharmaceutical, nappy, fast moving consumer goods segments, aseptic filler machines, 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 and for the production of packaging in premium and luxury sectors (Industrial Process Solutions) and (iii) gears on behalf of third parties (Precision Gears).

BASIS OF PRESENTATION

The financial statements of Coesia S.p.A. (the "company") have been prepared in accordance with the provisions of article 2423 and following articles of the Italian Civil Code, interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter. They consist of a balance sheet, a profit and loss account, a cash flow statement and these notes.

These financial statements incorporate the changes introduced by Legislative decree no. 139/2015 applicable for annual reporting periods beginning on or after 1 January 2016 and the resulting amendments to the OIC. Reference should be made to the following table for the effects of the application of the new OIC:

	31 December 2015	31 December 2015 post Legislative decree no. 139/2015
II – Receivables		
5-ter) Deferred tax assets	*0*	*374,260*
III - Current financial assets		
5) Derivatives	*0*	*4,088*
Total assets	**0**	**378,348**
VII – Hedging reserves	*0*	*(1,185,157)*
(B) Provisions for risks and charges		
3) Derivatives	*0*	*1,563,505*
Total liabilities and net equity	**0**	**378,348**

With reference to net extraordinary income for 2015:

- the €17,364 thousand gain, recognised in the previous year for the sale of the investment in Laetus GmbH under caption E) 20 was reclassified to financial income
- taxes relative to prior years, equal to €22 thousand and recognised under caption E) 21, were reclassified to current taxes.

Furthermore, bonds of €70 million subscribed by the parent Is.Co. S.r.l. were recognised in caption D3) Shareholder loans at 31 December 2016. Therefore, for comparative purposes, the €20 million subscribed by the parent, recognised at 31 December 2015 in caption D1) Bonds, was reclassified to this caption.

Each balance sheet, profit and loss account and cash flow statement caption presents the corresponding figures of the previous year. Where necessary, the latter are adjusted for comparative purposes and the related effects are disclosed in the notes, if material.

The cash flow statement shows the reasons for increases and decreases in liquid funds during the year and has been prepared under the indirect method, using the layout provided for by OIC 10.

The amounts presented in the balance sheet, profit and loss account and cash flow statement are in Euros, without decimal points, while those disclosed in the notes are expressed in thousands of Euros, except as otherwise specified.

Captions with a nil balance in both the current and previous years have been omitted.

Under the principle of materiality set out in article 2423.4 of the Italian Civil Code, these notes do not include disclosures on the financial statements captions whose amount or related disclosure are immaterial for the purposes of giving a true and fair view of the company's financial position, results of operations and cash flows, including those specifically required by article 2427 of the Italian Civil Code or other provisions.

Reference should be made to the directors' report that accompanies these financial statements for information on transactions with subsidiaries, associates, parents, subsidiaries of parents and other related parties.

Starting from these financial statements, the post-balance sheet events and the proposed allocation of the net profit/(loss) for the year are presented in specific sections of these notes. Furthermore, following the removal of the memorandum and contingency accounts from the balance sheet, total off-balance sheet commitments, guarantees and contingent liabilities are commented on in a specific section of these notes.

Pursuant to article 2497 and following articles of the Italian Civil Code, the company is managed and coordinated by another company.

ACCOUNTING POLICIES

In accordance with article 2426 of the Italian Civil Code, the most significant accounting policies applied in the preparation of the financial statements as at and for the year ended 31 December 2016, which are consistent with the policies applied in the preparation of the financial statements of the previous year and approved by the board of statutory auditors, where required by law, are described below.

Intangible fixed assets

Intangible fixed assets are recognised at acquisition or development cost, with the prior consent of the board of statutory auditors, where required. They are stated net of accumulated amortisation and any impairment losses. The acquisition cost includes the related transaction costs. The development cost includes all directly attributable costs and the reasonably attributable portion of other costs incurred from development up to when the asset is available for use.

Deferred charges are recognised when their income generating potential can be demonstrated, the related future economic benefits flowing to the company can be objectively matched thereto and their recovery can be reasonably estimated.

Intangible fixed assets, mainly comprising concessions, licences, copyrights and similar rights and charges related to bonds, loans and borrowings are recognised as assets only if they can be identified individually, the related future economic benefits will flow to the company, which can limit third-party access to such benefits, and their cost can be estimated with sufficient reliability.

Goodwill is recognised as an asset only if acquired against consideration, may be quantified, originates from charges and costs with a long-term useful life which ensure future economic benefits and can, therefore, be recovered. The company did not recognise any residual goodwill at 31 December 2016.

Intangible fixed assets are amortised on a straight-line basis, as follows:

• software licences	3/5 years
• trademarks	10 years
• charges related to bonds, loans and borrowings	Loan and financing term

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

If, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.

If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

When the recoverable amount of an asset cannot be estimated, it is tested for impairment at cash-generating unit ("CGU") level, that is, the lowest identifiable level for assets, which includes the assets to be measured and generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

Value in use is calculated on the basis of the present value of the future cash flows that the company expects to derive from the asset over its useful life, based on the most recent plans approved by the board of directors. The future cash flows for the years subsequent to those covered by the plan period are calculated by projecting the plan figures, using a stable growth rate.

Future cash flows are estimated for the asset in its current condition. Therefore, they do not include estimated future cash inflows or outflows that are expected to arise from a future restructuring to which the company is not yet committed or improving or enhancing the asset's performance.

The discount rate applied to calculate the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

This rate is estimated using the company's weighted average cost of capital.

Fair value is determined based on the price agreed in a binding sales agreement in an orderly transaction, or as market price on an active market. If there is no binding sales agreement or an active market, fair value is determined on the basis of the best available information such to reflect the amount the company could obtain, at the reporting date, from the sale of the asset in an orderly transaction between knowledgeable and willing parties. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry.

Costs of disposal are subtracted from fair value in the calculation of the recoverable amount.

If an impairment loss is identified, it is firstly recognised as a decrease in goodwill, if any, and then in the other assets proportionally to their carrying amount. The write-down is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

Financial fixed assets

Equity investments and debt instruments which the company intends and has the capacity to hold in the long term are recognised under financial fixed assets. Otherwise, they are recognised under current assets. Transfers in or out of the two categories are recognised in accordance with the accounting policies applicable to the portfolio which the asset comes from.

Receivables are recognised under fixed or current assets depending on their intended use in relation to the company's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed below.

Equity investments are measured at cost.

They are initially recognised at acquisition or incorporation cost, including the related transaction costs. The latter comprise costs that are directly attributable to the transaction such as, for example, bank and financial brokerage fees, commissions, expenses and taxes.

The carrying amount of investments rises as a result of capital increases against consideration or the company's waivers of repayment of receivables from the investees. Any bonus issue does not increase the investments' carrying amount.

They are written down for impairment, when their carrying amount decreases to below their recoverable amount at the reporting date. The recoverable amount is calculated based on the economic benefits the company expects to receive from the investment. They are written down to the extent of the carrying amount. If the company has an obligation to cover an investee's losses, it sets up a provision under liabilities to cover its share of the investee's deficit.

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.

Receivables

Receivables are rights to receive fixed or determinable amounts of cash or its equivalent from customers or other third parties at identified or identifiable due dates.

Receivables arising from the sale of goods and supply of services are recognised in accordance with the requirements set out in the section on revenues. Receivables arising for other reasons are recognised if they result in a right to a receivable, i.e., if they actually give rise to a third party obligation to the company.

Receivables are recognised at amortised cost, considering the time value of money and their estimated realisable value.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current receivables or when transaction costs, commissions paid between the parties and any other difference between the original and recoverable amounts at the due date are insignificant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the company opted not to recognise receivables arising before 1 January 2016 at amortised cost and did not discount them.

When the company recognises receivables at amortised cost, their carrying amount at initial recognition is their nominal amount, unless discounting is necessary, as described later on, net of any bonuses, discounts and allowances, as well as any directly attributable transaction costs.

The amortised cost calculation using the effective interest method includes transaction costs, commissions and any other difference between the receivables' initial carrying amount and the nominal amount at their due date. The effective interest rate is calculated upon initial recognition and maintained for subsequent measurements, except when variable rates indexed to market rates have been contractually agreed.

At each reporting date, the carrying amount of receivables measured at amortised cost is the present value of future cash flows, less impairment losses recognised to bring them into line with their estimated realisable value, discounted using the effective interest rate.

Trade receivables due after one year upon initial recognition that do not bear interest or bear contractual interest at rates that significantly differ from market rates are initially recognised at their present value by discounting future cash flows using market interest rates. The difference between the carrying amount at initial recognition and the terminal value is recognised in the profit and loss account as interest income over the receivable's life, using the effective interest method.

With regard to financial receivables, the company recognises the difference between the cash disbursed and the present value of future cash flows calculated using the market rate as financial income or charges upon initial recognition, except when the transaction's or contract's substance requires its allocation to another caption and a different accounting treatment.

The company recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the company considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.

The amount of the impairment loss on receivables measured at amortised cost is the difference between their carrying amount and the estimated present value of future cash flows discounted using the receivables' original effective interest rate, net of any expected irrecoverable amounts.

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.

Derivatives

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the underlying);
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is regulated at a future date.

Derivatives include contracts for the purchase and sale of goods that offer either party the right to settle them for cash or other financial instruments, except in the case of the following conditions:

- the contract has been completed and maintained to satisfy the purchase, sale and usage requirements;
- they have had that purpose since when they were entered into;
- their expected performance is the delivery of the non-financial item.

The company recognises a derivative when it becomes party to its contractual provisions, i.e., when it signs the contract and is, therefore, subject to its rights and obligations. It recognises derivatives, including embedded derivatives, at fair value.

Derivatives embedded in hybrid contracts are separated from the non-derivative host and recognised separately if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative provided for in OIC 32. The company assesses whether it is required to separate an embedded derivative and recognise it separately only at the hybrid instrument's initial recognition or at the date when its contractual clauses are amended.

At each reporting date, the company measures derivatives at fair value and presents them in the specific balance sheet captions as current or fixed (in the case of hedges of fixed assets or liabilities due after one year) assets, if their fair value is positive or under provisions for risks and charges, if their fair value is negative. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company measures the fair value of unlisted derivatives using adequate valuation techniques and the assumptions, parameters and fair value hierarchy levels required by the relevant OIC.

Fair value gains or losses on derivatives that do not meet the hedge accounting requirements are recognised in the specific profit and loss account captions.

Hedge accounting

A derivative qualifies for hedge accounting if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets the qualitative and quantitative hedge effectiveness requirements.

Therefore, if the company uses derivatives as hedges from a management perspective but the hedging relationship does not fully meet hedge accounting requirements, it recognises them based on the general treatment described earlier.

The hedge effectiveness is documented at initial recognition and also on an ongoing basis. At each reporting date, the company assesses whether the hedging relationship is still effective.

If all the requirements mentioned above are met, hedging relationships may be accounted for using the following models.

Fair value hedges

If a derivative is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability or a firm commitment that is attributable to a particular risk and could affect the net profit or loss, the gain or loss on both the hedging instrument and the hedged item attributable to the hedged risk is recognised in the specific profit and loss account caption, to the extent that the gain or loss on the hedged item does not exceed the fair value gain or loss of the hedging instrument. Any surplus is recognised in the profit and loss account caption affected by the hedged item. The fair value gain or loss attributable to the hedged risk adjusts the carrying amount of the hedged item in the balance sheet to the extent, for assets, of their recoverable amount.

Cash flow hedges

If a derivative is designated as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction and could affect the net profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the specific net equity reserve, whereas the ineffective portion of the gain or loss on the hedging instrument is recognised in the profit and loss account.

The gains or losses accumulated in the net equity reserve are reclassified to the profit and loss account in the year or over the years during which the hedged future cash flows affect the net profit or loss. If a firm commitment or a highly probable forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated gains or losses that were recognised in the specific reserve are reclassified from equity to the carrying amount of the asset (to the extent of its recoverable amount) or liability upon its recognition.

When the company discontinues hedge accounting for a cash flow hedge, but the hedged future cash flows are still expected to occur, the amount that has been accumulated in the reserve remain in net equity until the future cash flows occur. If the hedged future cash flows are no longer expected to occur or the forecast transaction is no longer highly probable, that amount is immediately reclassified from the reserve to the profit and loss account.

When hedging relationships only relate to derivatives with characteristics very similar to those of the hedged item and the derivative has been entered into at market conditions (for example, forwards or swaps with a fair value approximating nil) at initial recognition, the company applies the treatment applicable to simple hedges described below, if:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the main elements of the hedging instrument and hedged item (nominal amount, settlement date of cash flows, due date and underlying variable) match or are closely in line and the counterparty's credit risk does not significantly affect the fair value of the hedging instruments and hedged item.

At each reporting date, the company checks that the effectiveness requirements described above are still met, including the credit risk of the counterparty to the hedging instruments and hedged item, which may cause the discontinuation of the hedging relationship if it becomes significant.

The fair value gains or losses on both the hedging instrument and hedged item are fully recognised in the specific profit and loss account captions and the company is not required to calculate the difference to be taken to the profit and loss account captions relating to the hedged item.

The fair value gains or losses on the hedging instrument are fully recognised in the specific net equity reserve and the company is not required to calculate the ineffective portion of the hedge to be taken to the profit and loss account. The same accounting treatments described above are applied to reclassify the amount accumulated in net equity.

The disclosures required by article 2427-bis.1 of the Italian Civil Code on the fair value of derivatives and those required by OIC 32 are provided in a specific section of these notes.

Liquid funds

These are the positive balances of bank and postal accounts and cheques, as well as the cash-in-hand and cash equivalents at year end. Bank and postal account deposits and cheques are recognised at their estimated realisable value, cash and revenue stamps at their nominal amount, while foreign currency is measured at the closing rate.

Prepayments and accrued income and accrued expenses and deferred income

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.

Net equity

Transactions between the company and its owners (acting as owners) may result in receivables/payables from/to them. The company recognises a receivable when its owners take on an obligation and a payable when it takes on an obligation to them.

Capital injections with no repayment obligation are recognised under the relevant net equity caption, while shareholder loans with a repayment obligation are recognised under payables.

The effects of the application of other accounting policies on net equity are disclosed in the relevant notes.

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.

Accruals to provisions for risks and charges are primarily recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature. The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at each reporting date and is not discounted, except if the estimated amount and the date of disbursement can be reliably estimated.

If the measurement of the accruals gives a range of values, the accrual represents the best possible estimate between the upper and lower thresholds of the range.

The provisions are subsequently used directly and solely for those costs and liabilities for which they were originally set up. If they are not sufficient or are redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

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 changes in legislation introduced by Law no. 296/2006. 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 company would have paid had all employees left at the reporting date. The amount due to employees who had already left the company at the reporting date but that will be paid in the following year is reclassified to payables.

Payables

Payables are specific and certain liabilities that are obligations to pay fixed or determinable sums of cash or its equivalent to financial backers, suppliers or other parties.

Payables arising from the purchase of goods are recognised when the production process for the goods has been completed and the substantial transfer of title has taken place, with the transfer of risks and benefits being the key parameter. Payables relating to services are recognised once the services have been delivered, i.e., when they have been carried out. Loans and borrowings and payables unrelated to the procurement of goods and services are recognised when the company has an obligation vis-a-vis the counterparty. Payables for advances from customers are recognised when the right to collect the advance arises.

Payables are recognised at amortised cost, considering the time value of money.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current payables or when transaction costs, commissions paid between the parties and any other difference between the original and settlement amounts at the due date are insignificant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the company opted not to recognise payables arising before 1 January 2016 at amortised cost and did not discount them.

In this case, payables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest paid.

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

Cash discounts and allowances that were not included in the calculation of the carrying amount at initial recognition as they could not be determined when the payable was originally recognised, are recognised upon settlement.

When the company recognises payables at amortised cost, their carrying amount at initial recognition is their nominal amount, unless discounting is necessary, as described later on, net of any bonuses, discounts and allowances, as well as any directly attributable transaction costs.

The amortised cost calculation using the effective interest method includes transaction costs, initial commission income and expense, issue costs, premiums and discounts and any other difference between the initial carrying amount and the nominal amount at the payable's due date. The effective interest rate is calculated upon initial recognition and maintained for subsequent measurements, except when variable rates indexed to market rates have been contractually agreed.

At each reporting date, the carrying amount of payables measured at amortised cost is the present value of future cash flows discounted using the effective interest rate.

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

Cash discounts and allowances that were not included in the calculation of the amortised cost as they could not be determined when the payable was originally recognised, are recognised upon settlement.

Trade payables due after one year upon initial recognition that do not bear interest or bear contractual interest that significantly differs from market rates and the related costs are initially recognised at their present value by discounting future cash flows at market interest rates. The difference between the carrying amount at initial recognition and the terminal value is recognised in the profit and loss account as interest expense over the payable's life, using the effective interest method.

With regard to loans and borrowings, the company recognises the difference between the cash received and the present value of future cash flows calculated using the market rate as financial income or charges upon initial recognition, except when the transaction's or contract's substance requires its allocation to another caption and a different accounting treatment.

Payables are derecognised, in whole or in part, when the relevant contractual and/or legal obligations are extinguished for settlement or other reasons, or are transferred.

Foreign currency transactions, assets and liabilities

Assets and liabilities generated by foreign currency transactions are initially recognised in Euros, applying the transaction-date spot rate between the Euro and foreign currency to the foreign currency amount.

Foreign currency monetary items, including the provisions for risks and charges related to foreign currency liabilities, are translated using the closing spot rates. Any resulting gains or losses are taken to the profit and loss account.

Non-monetary foreign currency assets and liabilities are maintained in the balance sheet at the transaction-date exchange rate. Consequently, any exchange rate gains or losses are not recognised separately.

Any unrealised net exchange rate gain on foreign currency monetary items forms part of the net profit or loss for the year and, when the financial statements and consequent allocation of the net profit or loss for the year are approved, it is recognised in a undistributable reserve. Should the net profit for the year be lower than the unrealised net exchange rate gain, the amount recognised in the undistributable reserve is equal to the net profit for the year.

If foreign currency items are designated as hedged items or hedging instruments in a hedging relationship, the company applies the accounting treatment described in the “Derivatives” section.

Revenues and costs

Revenues and income, costs and charges are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in compliance with the accruals and prudence concepts. Revenues from the sale of the goods are recognised when the production process for the goods has been completed and the exchange has already taken place i.e., upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter.

Revenues from the provision of services are recognised once the services have been provided, i.e., when they have been carried out.

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

When the amortised cost method is applied, interest is recognised using the effective interest method.

Other financial charges are recognised for the amount accrued during the year.

Revenues and costs, whose amount or impact is exceptional, are disclosed in a specific section of these notes.

Dividends

Dividends are recognised as financial income when the company obtains the right to collect them, following the resolution of an investee's shareholders to distribute profits or reserves.

If an investee distributes own shares or assigns shares as part of a bonus issue as a dividend, the company does not recognise any financial income.

Income taxes

Current income taxes for the year are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation and applying the enacted tax rates at the reporting date. The related tax payable is stated at its nominal amount in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have been not claimed for reimbursement. A tax asset is recognised for payments on account, withholdings and receivables exceeding the taxes payable. Tax receivables and payables are measured at amortised cost, except when they are due within one year.

The company is part of the parent IS.CO. S.p.A.'s domestic tax consolidation scheme for IRES purposes. Accordingly, the balance sheet shows the receivables and payables from/to the consolidating company representing the tax benefits given and received.

Deferred tax assets and liabilities are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base that will reverse in subsequent years.

Deferred tax liabilities arising from taxable temporary differences relating to investments in subsidiaries and transactions giving rise to reserves taxable on distribution are always recognised unless the specific requirements provided for by the relevant standard are met.

Deferred taxes related to transactions that directly affect net equity are not recognised in the profit and loss account but are initially recognised in the provisions for risks and charges by reducing the matching net equity caption.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date.

The deferred tax assets on deductible temporary differences and on the benefit connected with the carry forward of tax losses are recognised and maintained only when their future recoverability is reasonably certain, through the availability of future taxable profits against which the deferred tax assets may be used or the availability of sufficient taxable temporary differences to recover them in the years in which they reverse.

Deferred tax assets not recognised or impaired in prior years as the requirements for their recognition were not met are recognised or reinstated in the year in which the relevant requirements are met.

Deferred tax assets and liabilities are offset if the relevant requirements are met (offsetting ability and intention) and the resulting positive or negative balance is respectively stated under the specific captions of current assets or provisions for risks and charges.

Post-balance sheet events

These events modify conditions existing at the reporting date. They require adjustments to the carrying amounts of recognised assets and liabilities in accordance with the relevant accounting policy. They are recognised on an accruals basis to present their reporting-date effect on the company's financial position, financial performance and cash flows.

The post-balance sheet events that modify situations existing at the reporting date but do not require adjustments to the carrying amounts under the relevant accounting policy as they relate to the subsequent year are not recognised but are disclosed in the notes if necessary to give a more complete view of the company's position.

The date within which an event shall be considered a post-balance sheet event is the date on which the directors prepare the draft financial statements, unless events that take place during the period from such date to the date on which the financial statements are expected to be approved by the shareholders have a significant impact on the financial statements.

OTHER INFORMATION

Waivers under article 2423.4 of the Italian Civil Code

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

Presentation of figures

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

Independent auditors' fees

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

Service type	Service provider	Beneficiary	Fees
Audit	KPMG S.p.A.	Coesia S.p.A.	47
Other attestation services	KPMG S.p.A.	Coesia S.p.A.	11
Total Coesia S.p.A.			**58**
Audit	KPMG S.p.A.	Subsidiaries	285
Audit	KPMG network	Subsidiaries	748
Other attestation services	KPMG S.p.A.	Subsidiaries	17
Other attestation services	KPMG network	Subsidiaries	4
Tax services	KPMG network	Subsidiaries	46
Other services	KPMG network	Subsidiaries	85
Total subsidiaries			**1,185**
Total			**1,243**

ASSETS AND LIABILITIES

FIXED ASSETS

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

Other intangible fixed assets of €2,873 thousand refer to charges related to bonds, loans and borrowings described further on under bonds and bank loans and borrowings. These charges are amortised over the term of the related loans. They did not increase during the year.

Moreover, the company capitalised costs of €124 thousand incurred to register the trademark and new software licence costs of €18 thousand.

FINANCIAL FIXED ASSETS

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

	% of ownership at 31/12/2016	31/12/16	31/12/15
Subsidiaries:			
G.D S.p.A.	100%	214,726	214,726
CIMA S.p.A.	100%	22,000	22,000
ACMA S.p.A.	100%	8,606	8,606
GDM S.p.A.	100%	6,330	6,330
MONTALE 164 S.p.A.	100%	0	0
VOLPAK S.A.	100%	14,706	14,706
GROUP SERVICE S.r.l.	100%	29	29
LAETUS GMBH	100%	0	0
COESIA IPS CGM S de RL de CV	100%	3	3
HAPA AG	100%	16,316	16,316
GD TEKNIK HIZMETLER	0.005%	0	0
NORDEN MACHINERY AB	100%	35,813	35,813
COESIA FINANCE S.p.A.	100%	120	120

4S ENGINEERING S.r.l.	80%	16	16
FLEXLINK HOLDING AB	100%	153,358	153,358
COESIA INDIA PRIVATE L.	7.4%	370	370
R.A. JONES & CO. INC.	100%	166,394	166,394
IPI S.r.l	100%	38,555	38,555
EMMECI S.p.A	100%	29,571	0
TOTAL		**706,913**	**677,342**

The increase for the year refers to the acquisition of Emmeci S.p.A. and its subsidiaries (the "Emmeci Group") on 30 June 2016. The Emmeci Group is the global leader in the design, construction and marketing of automated premium and luxury packing and packaging machinery and its acquisition represented another step towards strengthening Coesia Group's presence in packaging segments, allowing the group to enter into the premium and luxury packaging of goods.

The information about each subsidiary required by article 2427.5 of the Italian Civil Code is provided in the list attached to these financial statements (Annex IV). Figures included in the annexes are taken from the financial statements at 31 December 2016 or draft financial statements at the same date, approved by the respective company bodies.

The difference between the carrying amount of the investment in Hapa AG and the company's share of its net equity is not considered an impairment loss as it is substantially generated by the amortisation of implicit goodwill. Such difference, together with the negative difference related to Coesia India Private Ltd. and Acma S.p.A., should not be considered an impairment loss considering the companies' forecast profits.

Had investments in direct and indirect subsidiaries included as fixed assets been measured using the equity method, in application of the requirements of article 2426.4 of the Italian Civil Code, the net profit for the year and net equity at 31 December 2016 would have been the same as the corresponding consolidated financial statements figures at that date, to which reference should be made for further details. The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure as per article 6 of Regulation EC no. 1606/2002 of the European Parliament and Council of 19 July 2002 and pursuant to article 9 of Legislative decree no. 38/05.

The schedule analysing changes in investments attached to these notes (Annex II), in accordance with article 10 of Law no. 72/83 indicates assets at year end which have been revalued in previous years under specific laws.

Furthermore, financial fixed assets include the portion of the consideration collected for the sale of the Laetus business during 2015 (€3,750 thousand) lodged in a bank account managed by the notary that concluded the business sale as a guarantee against any damages provided for by contract. Such amount will be collected on 1 December 2017 net of any damages requested by, and granted to, the acquirer within the set deadline.

CURRENT ASSETS

RECEIVABLES

From subsidiaries This caption includes receivables that are not classified as fixed assets relating to the recharging of services and service costs provided to direct and indirect subsidiaries, summarised in Annex V to these notes. The change on the previous year end is mainly due to repayment of the loan granted to the subsidiary COESIA IPS CGM S de RL de CV for USD500 thousand on 16 May 2016; the repayment by R.A Jones & Co. of USD9 million of the loan it received in 2012 for USD75 million, with a residual debt of USD46 million, equal to €43,758 thousand (31 December 2015: USD55 million, equal to €50,542 thousand).

The loan granted to R.A Jones & Co in December 2012 at market rates, provides for the half-year payment of interest and bullet repayment of principal in December 2018, with the possibility of early repayment, including partially in more than one instalments.

From parents

The company has opted to apply, as a consolidated company, the national tax consolidation scheme pursuant to articles 117-129 of the Consolidated Direct Tax Act approved with Presidential decree no. 917 of 22 December 1986 resulting from the changes introduced by Legislative decree no. 344 of 12 December 2003 (Consolidated Income Tax Act) and following provisions. Therefore, this caption includes tax receivables of €4,974 thousand due from the consolidating entity IS.CO S.r.l..

Tax receivables

This caption includes a VAT receivable of €591 thousand.

Deferred tax assets

This caption includes deferred taxes of €1,526 thousand, mainly related to the accruals to the non-deductible provisions and derivatives.

Receivables from others

Receivables from others mainly refer to the amount paid to a third party with whom negotiations in relation to future collaboration are underway (€500 thousand). In the absence of a definitive collaboration agreement, this amount will be returned to the company. It also refers to €26 thousand for advances paid and receivables from Montale 164 S.p.A., paid in the previous year, for amounts yet to be collected (€5 thousand).

Current financial assets

“Other securities” shows the year-end carrying amount of the units of the whole-life insurance policy signed by the company with:

- Credit Agricole, with an original amount of €20,000 thousand and increased on 7

April 2016 by €2,000 thousand, in addition to the accrued return at year end of €899 thousand;

- Zurich, with an original amount of €1,000 thousand and increased on 19 February 2016 by another €4,000 thousand;
- BNP/Cardif, with an original amount of €5,000 thousand increased by the accrued return at year end of €213 thousand.

Interest accrues on a quarterly or annual basis and is paid only when the units are sold, which may take place at the request of the investor.

Derivatives of €49 thousand, refer to the year-end market value of the following hedges:

Type	**Currency**	**Notional value**	**MarkToMarket value at 31 December 2016 (EUR)**	**Expiry**	**Hedged**	**Type of hedge**	**Accounting method**
Forward currency sales	USD	1,500,000	16,408	31/01/2017	Yes	Fair value hedge	PL
Forward currency sales	USD	1,000,000	10,494	19/12/2017	Yes	Fair value hedge	PL
Forward currency sales	USD	1,000,000	11,049	30/06/2017	Yes	Fair value hedge	PL
Forward currency sales	USD	1,000,000	10,844	31/07/2017	Yes	Cash flow hedge	NE

Liquid funds

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

	Balance at	
	31/12/16	31/12/15
Bank and postal accounts	873	5,186
Cash-in-hand and cash equivalents	5	6
Total	878	5,192

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

NET EQUITY

Changes in net equity, are provided in “Annex III”. “Annex VI” gives details of the net equity captions in accordance with article 2427.7-bis of the Italian Civil Code. Pursuant to article 2427.18/19 of the Italian Civil Code, at 31 December 2016, the company had not issued any dividend-right shares, bonds convertible into shares or other financial instruments offering holders equity or participation rights.

SHARE CAPITAL

The fully subscribed and paid-up share capital is comprised of 125 million ordinary shares with a nominal value of €1 each.

RESERVES

The legal, extraordinary and unavailable income-related reserves increased due to the allocation of part of the net profit for 2016, as per the shareholders’ resolution taken during their ordinary meeting of 21 April 2016. The extraordinary reserve increased by €16,842 thousand and decreased by €50,000 thousand, after the shareholders’ resolution taken during their ordinary meeting of 23 June 2016 for the distribution of dividends for €30,000 thousand, paid on 30 June 2016 and at their ordinary meeting on 13 December 2016, for the distribution of dividends for €20,000 thousand, of which €10,000 thousand was paid on 13 December 2016 and €10,000 thousand was paid in January 2017.

Changes to hedging reserves at 31 December 2016 are as follows:

	31/12/15	Taken to the profit and loss account	Recognised as net equity	31/12/16
- Cash flow hedges	(1,559)	750	(1,329)	(2,138)

- tax effect	374	(180)	319	513
Total	(1,185)	570	(1,010)	(1,625)

PROVISIONS FOR RISKS AND CHARGES

This caption includes the provision for deferred tax liabilities and provisions for risks and charges set up against contingent liabilities and the portion pertaining to the year of the cost for long term incentives recognised to the company's top management starting from 2016.

The provision for deferred tax liabilities totalling €2,160 thousand mainly includes accruals related to unrealised exchange rate gains, mainly referred to foreign currency loans granted to the subsidiary R.A Jones & Co., generated by the fluctuations in the closing Euro/Dollar exchange rate, and an accrual for the temporary deductible (for both reporting and tax purposes) differences arising from the costs incurred in the previous year to issue and place bonds on the market, as commented on in the note to bonds. The issue and placement costs will be recovered pro rata over the bond term.

The caption "Derivatives" includes the interest rate swap (IRS) with Mediobanca and Unicredit.

Mediobanca loan: a notional amount of €100,000 thousand, 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 five-year fixed rate of 0.42%. The fair value loss on this transaction at 31 December 2016 is approximately €1,863 thousand, reflected in the financial statements under the hedging reserve, with a balancing entry in liabilities under caption B) 3 "financial liabilities", in that hedge effectiveness requirements were met with respect to the underlying.

Unicredit loan: a notional amount of €50,000 thousand, agreed on 27 October 2016, starting from 27 October 2016 and expiring on 27 October 2020. The loan provides for the quarterly payment/collection of the difference between the three-month Euribor and the four-year fixed rate of 0.02%. The fair value loss on this transaction at 31 December 2016 is approximately €286 thousand, reflected in the financial statements under hedging reserves under B) 3 “financial liabilities”, as hedge effectiveness requirements were met with respect to the underlying.

This caption also includes the market value of the following foreign exchange hedge at 31 December 2016:

Type	Currency	Notional value	MarkToMarket value at 31 December 2016 (EUR)	Expiry	Hedged	Type of hedge	Accounting method
Forward currency sales	USD	115,090	(9,131)	28/02/2017	Yes	Fair value hedge	PL

EMPLOYEES’ LEAVING ENTITLEMENT

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

Balance at 31/12/15	111
Accrual for the year	6
Utilisation for entitlements and advances paid, payment to the INPS fund and supplementary pension funds	(43)
Balance at 31/12/16	74

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

PAYABLES

Bonds and payables to shareholders for loans

Bonds placed on the ExtraM.O.T. PRO market

On 1 October 2014, the company issued and placed new seven-year bonds totalling €100 million on the ExtraM.O.T. PRO market (the Italian bond market reserved for professional investors managed by Borsa Italiana), which will be redeemed on 1 October 2021.

The bonds were subscribed by professional investors and accrue interest at an annual interest rate of 3%, which is payable on 1 October of each year of the bond term, beginning in 2014.

Bonds subscribed by the parent and the sole shareholder

In accordance with the resolution taken on 14 April 2011 by the bondholders during their meeting and the shareholders during their extraordinary meeting, the redemption date of the €100 million bonds is 30 June 2018.

In 2015 and 2016, the sole shareholder (original subscriber of the total amount of the bond) transferred a €70 million share to the parent IS.Co S.r.l. (2015: €20 million and 2016: €50 million). The transferred amount was recognised in the caption Shareholder loans.

The company has the right to redeem a portion or all of the outstanding bonds in advance once the eighteenth month and a day from issue have elapsed, following the resolution of the shareholders during an ordinary meeting. Coesia S.p.A. may not exercise this option until the bank loans totalling €180 million, described in the note to bank loans and borrowings, have been repaid in full, pursuant to contractual undertakings.

These bonds accrue interest in arrears at an annual rate of 4.5%, which is payable on 30 June of each year of the bonds' term, beginning in 2007.

Bank loans and borrowings

These are detailed below:

Type	Due within one year	Due from one to five years	Due after five years	Balance at 31/12/16	Balance at 31/12/15
Loans	-	179,896	-	179,896	130,000
Committed revolving credit facilities				0	15,000
Total	-	179,896	-	179,896	145,000

(in thousands of Euros)

The caption includes loans totalling €180 million, of which €30 million due in 2018 obtained for the acquisition of IPI group completed in October 2013; €100 million related to a bullet loan taken out in 2015 due in 2019; and €49.9 million related to a loan subscribed during the year due in 2020. The above-mentioned bank loan agreements require compliance with economic and financial covenants calculated on Coesia group's consolidated financial statements. Such covenants are checked by the banks every six months. They were complied with at 31 December 2016. Interest accrues at market rates on all loans.

Interest risk hedges have been agreed on some of these loans, as commented on below:

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the company opted not to recognise loans arising before 1 January 2016 at amortised cost.

Trade payables

This caption decreased by €152 thousand on the previous year end.

Payables to subsidiaries

This caption includes payables to direct and indirect subsidiaries, which are summarised in

"Annex V" to these notes and mainly relate to the recharging of costs and services received from the subsidiary G.D S.p.A. and loans received from the subsidiaries G.D S.p.A. (€71,000 thousand), Coesia Finance S.p.A. (€30,087 thousand) and for cash pooling (€70,337 thousand), which accrue interest at market rates.

Payables to parent

Payables for dividends refer to the amount yet to be paid to the shareholder Is.Co S.r.l. at 31 December 2016. At the ordinary shareholders' meeting of 12 December 2016, the company, Coesia S.p.A. resolved to distribute dividends of €20,000 thousand, of which €10,000 thousand was paid on 13 December 2016 and €10,000 thousand was paid in January 2017.

Tax payables

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

	31/12/16	31/12/15
Withholdings on employees, freelancers and consultants	505	455
Total	505	455

The years from 2012 on are still open to inspection by the tax authorities for direct tax and VAT purposes. Company management does not believe that the years open to inspection will lead to any significant liabilities not recognised in the financial statements.

Social security charges payable

This caption mainly relates to payables due to social security institutions for contributions relating to December remuneration amounting to €86 thousand.

Other payables

This caption mainly includes payables for employee remuneration of €414 thousand at year end.

ACCRUED EXPENSES AND DEFERRED INCOME

This caption mainly includes accrued interest expense of €2,992 thousand on bonds and of €301 thousand on the bank and loans described above.

GUARANTEES GIVEN

The table below shows the amount of guarantees granted by the company to third parties and subsidiaries (in thousands of Euros).

	31.12.2016	31.12.2015
- Sureties in favour of subsidiaries	21,063	11,393
- Sureties in favour of third parties	3,032	3,452
Total	**24,095**	**14,845**

PROFIT AND LOSS ACCOUNT

PRODUCTION REVENUES

This caption mainly relates to revenues from subsidiaries for services provided (€4,906 thousand) and costs to be recharged (€1,709 thousand). Such transactions performed on an arm's length basis totalling €6,615 thousand are detailed in "Annex V".

PRODUCTION COST

This caption is mainly comprised of service costs totalling €11,436 thousand (2015: €5,753 thousand), principally for directors' fees (€5,111 thousand), internal audit, management and coordination and strategic development activities (€1,077 thousand), consultancy services (€2,445 thousand), employee travel expenses (€333 thousand), statutory auditors' fees (€110 thousand) and entertainment (€43 thousand). It also includes costs of €1,770 thousand to be recharged to the group companies as detailed in "Annex V" (other revenues and income). The annex also lists the costs incurred for services provided by the subsidiaries.

Personnel expenses

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

	2016	**2015**
Wages and salaries	3,281	1,829
Social security contributions	409	470
Employees' leaving entitlement	106	106
Other	23	31
Total	3,819	2,436

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

	31/12/16	31/12/15	Average
Management	7	7	7
White collars	5	7	5
Total	12	14	12

FINANCIAL INCOME AND CHARGES

INCOME FROM INVESTMENTS

This caption includes dividends approved and collected in the year from the subsidiaries G.D S.p.A. (€60 million), Flexlink AB (€6 million) and HAPA AG (€3.2 million).

OTHER FINANCIAL INCOME

This caption mainly includes bank interest income (€10 thousand), accrued return on the whole-life insurance policies (€2,983 thousand) and interest income on the loan granted to the subsidiaries R.A Jones & Co. and COESIA IPS CGM S de RL de CV.

INTEREST AND OTHER FINANCIAL CHARGES

This caption includes interest expense on bonds of €7,500 thousand and bank interest expense and charges on loans and credit facilities of €3,854 thousand. It also includes interest expense on loans from the subsidiaries G.D S.p.A. (€2,385 thousand), Volpak S.A. (€56 thousand), GDM S.p.A. (€30 thousand), HAPA AG (€15 thousand) Flexlink AB (€32 thousand), Flexlink S.p.A. (€3 thousand) and Coesia Finance S.p.A. (€200 thousand).

This caption includes the loss for the price adjustment on the sale of LAETUS GMBH (that took place during the previous year) of €622 thousand.

EXCHANGE RATE GAINS AND LOSSES

This caption mainly comprises exchange rate gains on the USD loans granted to the subsidiary R.A Jones & Co. retranslated using the closing rate, as discussed earlier.

INCOME TAXES

This caption is comprised of income of €4,123 thousand arising from the adoption of the national tax consolidation scheme described earlier on and deferred tax income of €1,325 thousand. The difference between the pre-tax profit and tax loss for the year is mainly due to the fact that 95% of the dividends were not subject to taxation.

POST-BALANCE SHEET EVENTS

Nothing to report.

ALLOCATION OF THE NET PROFIT FOR 2016

The separate financial statements as at and for the year ended 31 December 2016, which we submit for your approval, show a net profit of €51,727,553.96, net of provisions for all charges relating to the year. We propose the net profit be allocated as follows:

- €2,586,377.70 to the legal reserve

- €22,846.84 to the translation reserve;
- and €49,118,329.42 to the extraordinary reserve

ANNEXES

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

The following information is included in these annexes:

- Statement of changes in intangible fixed assets for the year ended 31 December 2016 (Annex I);
- Statement of changes in financial fixed assets for the year ended 31 December 2016 (Annex II);
- Statement of changes in net equity for the years ended 31 December 2016, 2015 and 2014 (Annex III);
- List of investments in subsidiaries at 31 December 2016 as per article 2427.5 of the Italian Civil Code (Annex IV);
- Summary of related party transactions at 31 December 2016 (Annex V);
- Detail of net equity captions in accordance with article 2427.7-bis of the Italian Civil Code at 31 December 2016 (Annex VI);

These separate financial statements are correct and consistent with the accounting records.

Bologna, 3 May 2017

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli (signed on the original)

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of Euros)

Annex I

	Balance at 31 December 2015			Changes during the year			Balance at 31 December 2016		
	Historical cost	Accumulated amortisation	Carrying amount	Increase	Decrease	Amortisation	Historical cost	Accumulated amortisation	Carrying Amount
Intangible fixed assets:									
Concessions, licences, trademarks and similar rights	882	(539)	343	142		(176)	1,024	(715)	309
Deferred charges	9,406	(5,778)	3,628			(754)	9,406	(6,532)	2,874
Assets under development	-	-	-	-	-	-	-	-	-
Total intangible fixed assets	**10,288**	**(6,317)**	**3,971**	**142**	**-**	**(930)**	**10,430**	**(7,247)**	**3,183**

Annex II

SCHEDULE OF CHANGES IN FINANCIAL FIXED ASSETS

AT 31 DECEMBER 2016

(in thousands of Euros)

	Balance at 31 December 2015				Changes for the year				Balance at 31 December 2016			
	Historical cost	Write-downs	Revaluations as per Law no. 72/83	Balance	Increases		Decreases	Write-downs/ write-backs	Historical cost	Write-downs	Revaluations as per Law no. 72/83	Balance
Investments												
Subsidiaries measured at cost:												
G.D S.p.A.	213,348		1,378	214,726					213,348		1,378	214,726
ACMA S.p.A.	56,668	(48,062)		8,606					56,668	(48,062)		8,606
CIMA S.p.A.	22,000			22,000					22,000			22,000
GDM S.p.A.	7,123	(793)		6,330					7,123	(793)		6,330
MONTALE 164 S.p.A.	0			0					0			0
Volpak SA	14,706			14,706					14,706			14,706
Group Service S.r.l.	600	(571)		29					600	(571)		29
Laetus Italia S.r.l.	0			0					0			0
Mast S.r.l.	0			0					0			0
Laetus GmbH	0			0					0			0
COESIA IPS CGM S de RL de CV	3			3					3			3
Hapa AG	16,316			16,316					16,316			16,316
GD Teknik Hizmetler ve Ticaret Ltd Sirketi	0			0					0			0
Norden Machinery AB (formerly Sirius Machinery AB)	35,813			35,813					35,813			35,813
COESIA FINANCE S.p.A. (formerly A & C)	120			120					120			120
4S Engineering S.p.A.	16			16					16			16
Flexlink Holding AB	153,358			153,358					153,358			153,358
Coesia India Private Limited	370			370					370			370
R.A JONES & CO	166,394			166,394					166,394			166,394
IPI S.r.l.	38,555			38,555					38,555			38,555
EMMECI S.p.A.					29,571				29,571			29,571
Total investments	**725,390**	**(49,426)**	**1,378**	**677,342**	**29,571**	**0**	**0**	**0**	**754. 961**	**(49,426)**	**1,378**	**706,913**

Annex III

STATEMENT OF CHANGES IN NET EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2016, 2015 AND 2014

(in thousands of Euros)

			OTHER RESERVES								
	SHARE CAPITAL	LEGAL RESERVE	NEGATIVE GOODWILL	AS PER LAW NO. 904/77	EXTRAORDINARY RESERVE	UNAVAILABLE INCOME-RELATED RESERVES	CAPITAL INJECTION FOR FUTURE SHARE CAPITAL INCREASE	RETAINED EARNINGS (LOSSES CARRIED FORWARD)	HEDGING RESERVE	NET PROFIT FOR THE YEAR	TOTAL NET EQUITY
Balance at 31 December 2013	125,000	11,907	0	0	75,714		0	0		7,301	219,922
Shareholders' decision at the ordinary meeting of 25 June 2014											
- legal reserve		365								(365)	
- extraordinary reserve					6,936					(6,936)	
Net profit for 2014										15,571	15,571
Balance at 31 December 2014	125,000	12,272	0	0	82,650		0	0	0	15,571	235,493
Shareholders' decision at the ordinary meeting of 21 April 2015											
- unavailable income-related reserves		778			11,493	3,300				(15,571)	
- extraordinary reserve											
Mast demerger deed no. 58343 of 24 March 2015		(3,750)			(27,050)						(30,800)
Shareholders' decision at the ordinary meeting of 21 April 2016											
Hedging reserve									(1,185)		(1,185)
Net profit for 2015										22,924	22,924
Balance at 31 December 2015	125,000	9,300	0	0	67,093	3,300	0	0	(1,185)	22,924	226,432
Shareholders' decision at the ordinary meeting of 21 April 2016											
allocation of net profit:											
- legal reserve		1,146								(1,146)	
- extraordinary reserve					16,843					(16,843)	
- unavailable income-related reserves						4,935				(4,935)	
Shareholders' decision at the ordinary meeting of 23 June 2016											
Shareholders' decision at the ordinary meeting of 13 December 2016											
- distribution of dividends					(50,000)						(50,000)
Hedging reserve									(440)		(440)
Net profit for 2016										51,728	51,728
Balance at 31 December 2016	125,000	10,446	0	0	33,936	8,235	0	0	(1,625)	51,728	227,720

Annex IV

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AT 31 DECEMBER 2016 (ARTICLE 2427.5 OF THE ITALIAN CIVIL CODE)

COMPANY	% OF OWNERSHIP	REGISTERED OFFICE	SHARE/QUOTA CAPITAL	NET EQUITY TOTAL AMOUNT	NET EQUITY COMPANY'S SHARE	NET PROFIT (LOSS) FOR THE YEAR TOTAL AMOUNT	NET PROFIT (LOSS) FOR THE YEAR COMPANY'S SHARE	Measured using the equity method as per article 2426.4 of the Italian Civil Code	CARRYING AMOUNT	PROVISION TO COVER LOSSES	DIFFERENCE
								A	B	C	A - B – C
SUBSIDIARIES											
G.D S.p.A.	100.00%	Bologna	€4,000 thousand	591,314	591,314	102,889	102,889	695,975	214,726		481,249
ACMA S.p.A.	100.00%	Bologna	€9,300 thousand	5,267	5,267	(4,316)	(4,316)	8,240	8,606		(366)
CIMA S.p.A.	100.00%	Villanova (Bologna)	€4,810 thousand	23,067	23,067	1,590	1,590	24,817	22,000		2,817
GDM S.p.A.	100.00%	Bologna	€1,500 thousand	29,437	29,437	5,891	5,891	34,123	6,330		27,793
VOLPAK S.A.	100.00%	Barcelona (Spain)	€9,900 thousand	32,099	32,099	(1,619)	(1,619)	28,921	14,706		14,215
GROUP SERVICE S.r.l.	100.00%	Bologna	€50 thousand	533	533	2	2	533	29		504
COESIA IPS CGM S de RL de CV Mexico	100.00%	Mexico City (Mexico)	MXN322,500	890	890	668	668	890	3		887
HAPA AG	100.00%	Volketswill (Switzerland)	CHF1,000,000	10,250	10,250	4,478	4,478	12,896	16,316		(3,420)
Norden Machinery AB	100.00%	Stockholm (Sweden)	SEK112,000	30,007	30,007	1,923	1,923	39,738	35,813		3,925
GD Teknik Hizmetler ve Ticaret Ltd	0.01%	Izmir (Turkey)	TRY500,000	2,653	0	(2,130)	(0)	0	0		0
COESIA FINANCE S.p.A.	100.00%	Bologna	€120 thousand	539	539	285	285	539	120		419
4S Engineering S.p.A.	80.00%	Bologna	€20 thousand	85	68	61	49	68	16		52
FlexLink Holding AB	100.00%	Gothenburg (Sweden)	SEK3,285,000	174,688	174,688	19,053	19,053	165,268	153,358		11,910
Coesia India Private Limited	7.40%	Pune (India)	INR521,291	987	73	(358)	(27)	73	370		(297)
R.A JONES & CO	100.00%	Davenport (USA)	USD10	231,985	231,985	7,059	7,059	204,437	166,394		38,043
IPI S.r.l.	100.00%	Perugia	€13,000 thousand	18,367	18,367	(20)	(20)	41,387	38,555		2,832
EMMECI S.p.A.	100.00%	Cerreto Guidi (FI)	€4,000 thousand	14,833	14,833	2,017	2,017	30,539	29,571		968
TOTAL SUBSIDIARIES				1,167,417	1,163,447	138,550	140,002	1,288,474	706,913	0	581,561

Annex V

SUMMARY OF RELATED PARTY TRANSACTIONS

AT 31 DECEMBER 2016

(in thousands of Euros)

	BALANCE SHEET					**PROFIT AND LOSS ACCOUNT**					
	RECEIVABLES FOR DIVIDENDS	OTHER RECEIVABLES	TOTAL RECEIVABLES	PAYABLES	PAYABLES FOR DIVIDENDS	SERVICES	USE OF THIRD - PARTY ASSETS	FINANCIAL CHARGES	DIVIDENDS	OTHER REVENUES AND INCOME	FINANCIAL INCOME
Parent											
IS.CO S.r.l.		4974	4974	71,575	10,000						
Direct subsidiaries											
G.D S.p.A.		963	963	71,012		1,099	58	2385	60,000	857	
ACMA S.p.A.		239	239							918	
CIMA S.p.A.		22	22							45	
ACMA S.p.A.											
GDM S.p.A.		-48	-48					30		220	
VOLPAK SA		-79	-79			1		56		296	
HAPA AG		146	146					15	3,260	202	
LAETUS GMBH											
LAETUS Mexico											7
R.A JONES & CO USA		45,420	45,420			94				753	2,976
FLEXLINK AB		744	744	14		10		31	5,976	1,761	
Montale 164 S.p.A.											
IPI S.r.l.		72	72							142	
COESIA FINANCE S.P.A.				100,424				200		2	
NORDEN MACHINERY AB		91	91			1				515	
4S ENGINEERING S.r.l.		17	17							23	
COESIA INDIA PRIVATE LIMITED		1	1							4	
GD TEKNIK HIZMETLER VE TICARET LTD		2	2								
CITUS KALIX		25	25							127	
ADMV S.A		-44	-44							64	
SACMO SA		84	84	32		31				222	
EMMECI S.p.A.		21	21							21	
Group Services S.r.l.										6	
Indirect subsidiaries											
G.D Industrie S.r.l.										2	
Nova Prefabbricati S.r.l.										2	
GD Turkey										2	
Lesina Autonoleggio S.r.l.				2		7				3	
SASIB S.p.A.		41	41							70	
MAST				2		11				4	
Co.me.sca S.r.l.										16	
GD KOREA										1	
TECNOMECCANICA										1	
Flexlink Systems PTE LTD - Singapore		222	222	41		3				221	
Flexlink Systems S.p.A.				20		79		3		6	
Flexlink Systems - France				-17							
SIRIUS - China		113	113	4		11				37	
GF S.p.A.		14	14							13	
RA JONES UK										4	
GD CHINA										2	
GD GERMANY										3	
GD EMIRATES		16	16							16	
GD TOKYO										5	
GD USA		14	14							14	
G.D Do Brasil		88	88	6						15	
TOTAL SUBSIDIARIES		**53,158**	**53,158**	**243,115**	**10,000**	**1,336**	**58**	**2,720**	**69,236**	**6,615**	**2,983**

Annex VI

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

AT 31 DECEMBER 2016 (in thousands of Euros)

NATURE	AMOUNT	POSSIBILITY OF USE	PORTION AVAILABLE FOR DISTRIBUTION	PORTION TAXABLE ON DISTRIBUTION ON DISTRIBUTION
SHARE CAPITAL	125,000	B		0
Equity-related reserves:				
Reserve for own shares				
Reserve for shares or quotas of the parent				
Share premium reserve				
Reserve for conversion of bonds				
Capital injection for future capital increase				
Income-related reserves:				
Legal reserve	10,447	B		0
Reserve for own shares				
Unavailable income-related reserve	8,235			
Hedging reserve	(1,625)			
Translation reserve				
Extraordinary reserve	33,935	A, B, C	33,935	0
Reserve as per waiver under article 2423.4				
Retained earnings (losses carried forward)				0
TOTAL	175,992		**33,935**	
available portion			**33,935**	**0**

Key:

A : For share capital increase B : To cover losses C : For dividend distribution