KPMG

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

COESIA S.p.A.

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

KPMG S.p.A.
21 April 2015

KPMG S.p.A.
Revisione e organizzazione contabile
Via Andrea Costa, 160
40134 BOLOGNA BO

Telefono +39 051 4392511
Telefax +39 051 4392599
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

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

To the shareholders of
COESIA S.p.A.

1 We have audited the financial statements of COESIA S.p.A. as at and for the year ended 31 December 2014. The company's directors are responsible for drawing up these financial statements in accordance with the Italian regulations governing their preparation. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 23 June 2014 for our opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes as required by law.

3 In our opinion, the financial statements of COESIA S.p.A. as at and for the year ended 31 December 2014 comply with the Italian regulations governing their preparation. Therefore, they are clearly stated and give a true and fair view of the financial position and results of operations of the company as at and for the year ended 31 December 2014.

4 The directors of COESIA S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of COESIA S.p.A. as at and for the year ended 31 December 2014.

Bologna, 21 April 2015

KPMG S.p.A.

(signed on the original)

Rodolfo Curti
Director of Audit

(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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FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS' REPORT

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Dear shareholders,

This report accompanies the separate financial statements as at and for the year ended 31 December 2014 of Coesia S.p.A., which we submit for your approval.

Events of the year and activities of the company

Coesia S.p.A. is the holding company of an industrial group. Its subsidiaries' core business relates to the design, construction and sale of (i) automated packing and packaging machinery for the tobacco, food, cosmetics, pharmaceutical, nappy and consumer goods segments, aseptic filling machinerys, package opening and closing systems and multi-layer packaging material using a combination of polyethylene, paper and aluminium sheets (Advanced Automated Machinery and Materials), (ii) manufacturing logistics solutions and production control and in-line printing equipment (Industrial Process Solutions) and (iii) gears on behalf of third parties (Precision Gears).

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

- G.D S.p.A., with registered office in Bologna, is active in the field of automated packing and packaging machinery for cigarettes and the tobacco industry in general. G.D S.p.A.

controls a network of companies (in the USA, Brazil, Germany, United Kingdom, China, Japan, Singapore, Hong Kong, Indonesia, Russia, South Africa, South Korea and Turkey) that serve as its distribution and after-sales centres, as well as genuine production centres (in the USA, Brazil, Germany, Japan, Turkey and Indonesia); moreover G.D S.p.A. wholly owns Sasib S.p.A., with registered office in Castel Maggiore (Bologna), a company that produces automated machinery for the tobacco industry with a high range of maker and packer lines installed in several markets throughout the world and which completes and integrates, also in the low speed segment, the lines of products that G.D S.p.A. offers to its customers;

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

machinery segment;

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

<u>The economic situation</u>

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

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

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

On the other hand, the growth of the Euro area, lower than expected, should be 1.2%, in line with that of Germany. Spain is the only Eurozone country for which estimates are confirmed and is expected to grow by 2%; Japan is struggling to respond to the heavy incentive actions implemented by the authorities and thus is expected to grow by only 0.1% in 2015.

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

Markets

The market situation of the group companies is the following:

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

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

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

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

of the package.

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

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

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

Another increasingly important segment is after-sales, in which not only the opportunities but also a need to reduce clients' operating costs are encountered.

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

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

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

Business risks

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

The group companies are exposed to the normal risks and uncertainties of industrial businesses engaged in designing, producing and selling consumer goods with a high technological content on international markets.

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

The related financial risks (credit, liquidity, currency, interest rate) do not significantly impact the group companies' financial position and results of operations, although they exist and are carefully monitored and managed. Specifically, Coesia S.p.A. and its subsidiaries hedge currency and interest rate risks using the relevant hedging instruments. Investments in foreign subsidiaries are not hedged, except for the programmed distribution of dividends, as foreign currency positions are considered to be of a long-term nature.

As noted, Coesia S.p.A.'s and its subsidiaries' market is characterised by demand for highly technological and innovative solutions and, accordingly, the group invests around 4% of its turnover in R&D. In this context, employees' expertise is of strategic importance, especially in technical areas. The group invest heavily and constantly in training and retaining its employees and in the work place. It carefully monitors and applies the relevant labour legislation, especially that covering occupational health and safety. The parent and the most relevant Italian subsidiaries adopted the management model provided for by Legislative decree no. 231 covering safety in the workplace and they updated it to include bribery in the private sector and undue inducement to give or promise benefits.

Performance

In 2014, the company achieved a net profit of €15.6 million (2013: €7.3 million), mainly characterised by:

- dividends from subsidiaries totalling €33.5 million (including €25 million from G.D S.p.A., €2 million from Volpak SA, €2.9 million from HAPA AG, €3.6 million from Norden AB), compared to €28.8 million in 2013;
- adjustments to investments in subsidiaries, amounting to €7.3 million, compared to €5.4 million in 2013. 2014 adjustments are due to the impairment losses on the investment in ACMA S.p.A., which reported a net loss for 2014, mainly due to the lengthening of the industrialisation times for some projects and the consequent postponement of their billing to 2015 and higher completion and testing costs.

Trends in financial income and charges are shown in the cash flow statement attached to the notes to the financial statements. The net financial debt at 31 December 2014 amounts to €479.6 million, compared to €485.6 million at 31 December 2013 (including financial receivables/payables from/to subsidiaries, the financial payable to the parent and bonds). Bank loan and borrowings total €235 million at 31 December 2014 and include loans of €205 million due within one year and a bullet loan of €30 million due in 2018. The reimbursement of the above-mentioned loans and borrowings will be managed through the cash flows generated by dividends received and/or by loans granted by subsidiaries and also through new withdrawals of committed credit lines already granted to the company, which provide longer repayment terms and more favourable interest rates than current ones. Specifically, the financial transactions carried out during the year, described in more detail in the notes to the separate financial statements, including the bond issued for €100 million due in 2021 and the obtainment of a five-year bullet loan of €100 million in 2015, enabled the company to reschedule the above-mentioned loans due in 2015 for €205 million.

Financial charges increased from €16.3 million in 2013 to €18.9 million in 2014 primarily as a result of the loans for the acquisition of IPI S.r.l. occurred in late 2013 and the increase in borrowings received from subsidiaries.

Presentation of the consolidated financial statements

As the company holds significant controlling interests, as defined by article 2359 of the Italian Civil Code, and for more complete disclosure, it has prepared consolidated financial statements as at and for the year ended 31 December 2014 pursuant to Legislative decree no. 127/91. The consolidated financial statements will be filed together with the separate financial statements.

Research and development activities

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

Related party transactions

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

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

- G.D S.p.A. performed better than in 2013. Its 2014 turnover is consistent compared to prior year, decreasing slightly from €643.9 million in 2013 to €640.7 million in 2014. Its operating profit was €169.0 million (€136.9 million in 2013), after expensing R&D costs of around 4.4% of turnover. The improvement on 2013 is due to a significant reduction in production costs and to the favourable mix of sales volumes which remained consistent compared to the prior year.

- With regard on the companies active in the Consumer Goods Machinery, Aseptic Filling Machinery and Materials, Industrial Process Solutions and Precision Gears divisions:

➢ ACMA S.p.A. ended the year with an operating loss of €9.7 million, showing a worsening on the previous year (in 2013, the operating loss was €6.2 million). This worsening was mainly due to the postponement of the billing of some projects to 2015 and higher completion and testing costs;

➢ 2014 was a positive year for GDM S.p.A.. It increased its results compared to 2013: turnover in 2014 (€64.4 million, including the change in inventory for long-term contracts) is greater than 2013 (€52.7 million), while the operating profit has significantly improved (2014: €8.4 million; 2013: €3.8 million). The company ended the year with a good order backlog which projects it towards a further expansion in emerging markets and customer portfolio diversification in 2015;

➢ VOLPAK SA ended 2014 with turnover (€46.4 million) down on 2013 (€59.0 million). The operating profit fell from €10.2 million in 2013 to €4.3 million in 2014 due to the postponement of the billing of some projects to 2015, higher development and completion costs and an unfavourable product and customer mix;

➢ CIMA S.p.A. performed better in 2014 than in 2013. The company's 2014 turnover increased on the previous year (from €18.3 million in 2013 to €20.9 million in 2014), and the operating profit grew from €0.4 million in 2013 to €0.9 million in 2014. The improvement was due to higher volumes and to the increase in gross profit which was favourably influenced by the diversification in the customer mix, especially in the racing and aeronautics industry.

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

- Flexlink group ended 2014 with consolidated turnover of €200.7 million (2013: €173.8 million) and an operating profit of €12.3 million (2013: €11.8 million). The operating profit in 2014 shows a project mix which saw an increase in larger orders with a high-level of design and complexity. The company also suffered competitive pressure in some emerging markets, resulting in a consequent pricing pressure and partial reduction of margins. The strategy for 2015 is characterised by actions for revenue growth and increasing focus on the high added value segments in order to improve profitability.
- R.A. Jones & Co. posted 2014 turnover of €105.9 million (€115.7 million in 2013) and an operating profit of €6.7 million (€10.4 million in 2013). The company's performance was negatively affected by the temporary decrease in investments by its key customer and by higher projects completion costs, especially in the first half of 2014. In 2014, the company started activities to control and streamline costs and in order to increase the order portfolio. Such actions will be fully implemented in 2015.
- Lastly, IPI group ended 2014 (its first year in Coesia group) with a turnover of €55.1 million and an operating profit of €4.2 million. The key operating and financial indicators of IPI were generally positive and consistent with expectations. During the year, IPI group fully integrated into Coesia and started to set up actions to make use of synergies with other subsidieries, especially with regard to regional structures and technical organisation. The goal for 2015 is to improve the operating profit thanks to technological innovation, diversification and development of the customer portfolio.

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

Number and nominal value of own shares or shares of parents

The company does not hold any own shares.

Subsequent events

At their meeting held on 24 March 2015, the shareholders of Coesia S.p.A. approved the partial proportional demerger of the entire investment in Mast S.r.l. to Is.Co S.r.l.. This transaction is part of a broader corporate transaction involving different legal entities included in Coesia group, comprising: i) on 10 February 2015 the sale of the entire investment in Mast S.r.l. (formerly CTAI Kids S.r.l.) by G.D S.p.A. to Coesia S.p.A. and ii) on 12 March 2015, the early redemption of the purchase option by GD S.p.A. of the property financial lease concerning the multipurpose building called "MAST" (Factory of Arts Experimentation and Technology). The aforementioned demerger of Mast S.r.l. to Is.Co S.r.l. is subject to the demerger of the MAST building, the related appartenance areas and their chattels, by the subsidiary GD S.p.A. to Mast S.r.l. for a total of €69 million. Both demerger transactions will have legal, tax and accounting effect starting from 1 July 2015. Upon completion of the above-mentioned transactions, the multipurpose "MAST" building will be owned by Mast S.r.l., an investment that will be directly controlled by Is.Co S.r.l..

Management and coordination

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

Outlook

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

The order trends foreseen for 2015 and the current backlog level lead us to expect improved turnover and results for the Advanced Automated Machinery and Materials, Industrial Process Solutions and Precision Gears segments compared to 2014, although subject to the development of the still complex and volatile market situation and the risks associated with it.

The separate financial statements as at and for the year ended 31 December 2014, which we submit for your approval, show a net profit of €15,570,844.25, net of provisions for all charges relating to the year. We propose the net profit be allocated as follows:

- €778,542.21 to the legal reserve,
- €3,299,538.19 to the exchange rate gain reserve,
- €11,492,763.85 to the extraordinary reserve.

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

Bologna, 21 April 2015

On behalf of the board of directors:

Isabella Seragnoli

(signed on the original)

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

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

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

(figures shown in Euros)

BALANCE SHEET	**31.12.2014**	**31.12.2013**
ASSETS		
(A) Share capital proceeds to be received		
	0	0
(B) Fixed assets		
I - Intangible fixed assets:		
1) Start-up and capital costs	0	0
4) Concessions, licences, trademarks and similar rights	282,436	222,028
6) Assets under development and payments on account	98,000	88,200
7) Other	4,387,266	4,323,408
Total	4,767,702	4,633,636
II - Tangible fixed assets	0	0
III - Financial fixed assets		
1) Investments:		
a) subsidiaries	711,623,591	705,600,055
2) Financial receivables from others		
- due after one year	19,310	5,200
Total	711,642,901	705,605,255

Total fixed assets (B)	716,410,603	710,238,891
(C) Current assets		
I - Inventory	0	0
II - Receivables		
2) From subsidiaries:		
due within one year	4,548,339	10,151,140
due after one year	50,263,555	44,236,530
4) From the parent	6,306,445	5,579,695
4-bis) Tax receivables	482,351	941,157
4-ter) Deferred tax assets	0	508,542
5) From others	94,641	220,628
Total receivables	61,695,331	61,637,692
III - Current		
financial assets	20,063,981	0
IV - Liquid funds		
1) Bank and postal accounts	40,902,327	7,723,236
3) Cash-in-hand and cash equivalents	4,605	2,651
Total liquid funds	40,906,932	7,725,887
Total current assets	122,666,244	69,363,579
(D) Prepayments and accrued income	80,825	101,761
TOTAL ASSETS	839,157,672	779,704,231
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	12,272,267	11,907,242
V - Statutory reserves	0	0
VI - Reserve for own shares in portfolio	0	0
VII - Other reserves		
1) Extraordinary reserve	82,650,361	75,714,891
4) Euro rounding reserve	1	(1)
VIII - Retained earnings/(losses carried forward)	0	0
IX - Net profit for the year	15,570,844	7,300,495
Total net equity	235,493,473	219,922,627
(B) Provisions for risks and charges		
2) Tax provision, including deferred tax liabilities	1,180,050	0
other	450,000	450,000
Total provisions for risks and charges	1,630,050	450,000
(C) Employees' leaving entitlement	103,080	78,654
(D) Payables		
1) Bonds:		
- due within one year	0	0
- due after one year	200,000,000	100,000,000
3) Shareholder loans	0	10,000,000
4) Bank loans and borrowings		
- due within one year	205,000,000	16,829,918
- due after one year	30,000,000	325,000,000
Total bank loans and borrowings	235,000,000	341,829,918

7) Trade payables	892,634	2,407,175
9) Payables to subsidiaries	156,774,595	91,737,587
11) Payables to the parent	0	16,751
12) Tax payables	426,843	412,090
13) Social security charges payable		
	74,584	67,574
14) Other payables		
- due within one year	4,962,728	5,031,438
- due after one year	0	4,500,000
Total payables	598,131,384	556,002,533
(E) Accrued expenses and deferred income	3,799,685	3,250,417
TOTAL LIABILITIES	839,157,672	779,704,231
MEMORANDUM AND CONTINGENCY ACCOUNTS		
Personal guarantees given:		
- Sureties in favour of subsidiaries	0	500,119
- Sureties in favour of third parties	6,600	8,200
Total	6,600	508,319
Commitments:		
- Currency forwards	1,497,000	0
Total	1,497,000	0

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PROFIT AND LOSS ACCOUNT	**2014**	**2013**
(A) Production revenues		
1) Turnover from sales and services	0	0
5) Other revenues and income	7,856,297	8,978,728

Total production revenues	7,856,297	8,978,728
(B) Production cost		
7) Services	7,811,141	10,208,586
8) Use of third party assets	178,788	121,000
9) Personnel expenses:		
a) wages and salaries	1,645,317	2,262,950
b) social security contributions	472,967	397,920
c) employees' leaving entitlement	107,106	120,342
e) other costs	29,863	21,374
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible		
fixed assets	1,840,208	1,743,096
14) Other operating costs	128,563	15,229
Total production cost	12,213,953	14,890,497
Operating loss		
	(4,357,656)	(5,911,769)
(C) Financial income and charges		
15) Income from investments:		
in subsidiaries		
a) dividends	33,543,760	28,824,071
c) from the sale of investment	0	0
16) Other financial income:		
d) other income	84,771	4,817
- interest from subsidiaries	2,858,198	2,816,627
17) Interest and other financial charges:		

- interest to subsidiaries	(2,667,871)	(1,247,636)
- interest to the parent	(162,387)	(16,751)
- other	(16,053,808)	(15,024,149)
17-bis) Net exchange rate gains (losses)	5,990,705	(1,263,914)
Net financial income	23,593,368	14,093,065
(D) Adjustments to financial assets		
19) Write-downs:		
a) investments	(7,315,000)	(5,379,223)
Total adjustments to financial assets	(7,315,000)	(5,379,223)
(E) Extraordinary income and expense		
20) Income		
- Euro rounding		
	0	0
- taxes relative to prior years	6,751	0
21) Expense		
- taxes relative to prior years	0	(367)
- Euro rounding		
	(1)	0
- other	0	(500,000)
Net extraordinary income (expense)	6,750	(500,367)
Pre-tax profit	11,927,462	2,301,706
22) Income taxes,		
current taxes, deferred tax income and		
expense	(1,688,592)	266,547

- income due to participation in the		
national tax consolidation scheme	5,331,974	4,732,242
23) Net profit for the year	15,570,844	7,300,495

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, 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 (Industrial Process Solutions) and (iii) gears on behalf of third parties (Precision Gears).

Reference should be made to the directors' report for comments on the activities carried out in 2014 .

BASIS OF PRESENTATION

The separate financial statements have been prepared in accordance with the provisions of the Italian Civil Code. They are comprised of the balance sheet (prepared using the formats provided for by articles 2424 and 2424-bis of the Italian Civil Code), the profit and loss account (prepared using the format provided for by articles 2425 and 2425-bis of the Italian Civil Code) and these notes. They are accompanied by the directors' report and the cash flow statement prepared using the indirect method. For each balance sheet and profit and loss account caption the corresponding figure at 31 December 2013 has been given, duly adjusted, if not comparable. If the relevant circumstances are material, the adjustments are commented on in the notes.

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

The law has been interpreted and integrated, where necessary, based on the accounting standards promulgated by the Italian Accounting Standard Setter ("Italian GAAP").

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

Reference is made to the directors' report which accompanies the separate financial statements for information on subsequent events.

ACCOUNTING POLICIES

In accordance with article 2426 of the Italian Civil Code, the most significant accounting policies applied in the preparation of the separate financial statements as at and for the year ended 31 December 2014, which are consistent with the policies applied in the preparation of the separate financial statements of the previous year and approved by the board of statutory auditors, where required by law, are described below.

a) Intangible fixed assets are stated at purchase cost, including related charges, and are amortised on a straight-line basis in line with their future income generating potential. As required by Italian GAAP 9, at each reporting date, the group assesses whether there is any indication that a tangible or intangible fixed asset may be impaired. If there such an indication, the group estimates the asset's recoverable amount and recognises a write-down only if the latter is lower than the asset's carrying amount.

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

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

If there is no binding sale agreement, the fair value is estimated by reference to the quoted prices of an active market, recent transactions or best available information that reflects the amount that can be obtained from the sale of the asset.

If the recoverable amount is lower than an asset's carrying amount, the latter is written down to that lower amount and the resulting impairment loss is recognised as a write-down in the profit and loss account.

b) Investments that the company intends, and has the capacity, to hold for a long period of time 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.

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

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

c) Receivables are stated at their estimated realisable value.

d) Prepayments and accrued income, accrued expenses and deferred income include costs and revenues relating to two or more years are recognised on an accruals basis.

e) 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 for relevant security's reference market.

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

f) Liquid funds are stated at their nominal amount.

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

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

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

h) Employees' leaving entitlement is provided for to cover the entire liability accrued to employees, in accordance with current legislation, national labour contracts and company agreements. This liability is indexed.

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

l) Costs and revenues are determined on an accruals and prudent basis.

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

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

o) Financial derivative contracts related to interest or exchange rate trends taken out for trading purposes are recognised at year-end market value. Derivatives used to hedge the fluctuations in interest rates are measured in line with the hedged liabilities. The difference between the interest rates of the derivatives and the underlying financing/lease arrangements is taken to the profit and loss account on an accruals basis. Options taken out to hedge foreign currency receivables and payables stated in the financial statements are recognised based on the exchange rates ruling at year end. Exchange rate gains and losses on options taken out to hedge specific contractual commitments are deferred and recognised as adjustments to the revenue/cost of the related asset.

p) Accruals to provisions for risks and charges are recognised as costs and classified in accordance with the nature of the transaction to which they relate. Those attributable to the operating activities are classified in class B of the profit and loss account (other than captions B12 and B13). Those relating to financial or extraordinary transactions are respectively classified in class C and class E of the profit and loss account.

Any excess in the provision is recognised as income in the same profit and loss account class as that in which the original accrual had been classified.

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

q) Income taxes are calculated based on taxable profit in accordance with current regulations, considering applicable exemption and tax receivables. Furthermore, deferred tax assets and liabilities have been recognised on the temporary differences between the carrying amounts stated in the balance sheet and the related amounts recognised for tax purposes. In particular, deferred tax assets are recognised when it is reasonably certain that there will be future taxable profits against which the deferred tax assets may be used.

In its financial statements, the company offset tax assets and liabilities only if it has a legal right to offset the amounts recognised based on tax legislation and it intends to settle tax assets and liabilities on a net basis with a single payment.

In 2014, the company opted to apply the national tax consolidation scheme for three years whereby its parent, Is.Co. S.r.l., is the consolidating entity, as is detailed in the note to receivables from subsidiaries.

r) The effects of adopting new accounting policies are recognised as extraordinary income or expense in the profit and loss account. They are recognised retrospectively, except when the calculation of the retrospective effect is not reasonably possible or too costly.

The effects of changes in estimates other than those arising from the correction of errors are classified in the profit and loss account caption related to the asset or liability being estimated.

Correction of errors are made by adjusting the carrying amount of the relevant asset or liability, with a balancing entry in class E of the profit and loss account.

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

TRANSLATION CRITERIA

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

OTHER INFORMATION

Waivers under article 2423.4 of the Italian Civil Code

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

Presentation of figures

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

Independent auditors' fees

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

Service type	Service provider	Beneficiary	Fees
Audit	KPMG S.p.A.	Coesia S.p.A.	40
Other attestation services	KPMG S.p.A.	Coesia S.p.A.	18
Other services	KPMG S.p.A.	Coesia S.p.A.	33
Total Coesia S.p.A.			**91**
Audit	KPMG S.p.A.	Subsidiaries	230
Audit	KPMG network	Subsidiaries	701
Other attestation services	KPMG S.p.A.	Subsidiaries	25
Tax services	KPMG network	Subsidiaries	27
Other services	KPMG network	Subsidiaries	5
Total subsidiaries			**988**
Total			**1,079**

ASSETS AND LIABILITIES

FIXED ASSETS

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

Other intangible fixed assets of €4,387 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. The increase of €1,744 thousand mainly relates to upfront fees and consultancy costs incurred in connection with the issue and placement of the new bonds, as commented on in the note to bonds, and the new credit lines granted by banks, as commented on in the note to bank loans and borrowings.

Moreover, the company capitalised costs of €100 thousand incurred to register the new trademark and new software licence costs of €120 thousand.

FINANCIAL FIXED ASSETS

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

	% of ownership at 31/12/2014	at 31/12/14	at 31/12/13
Subsidiaries:			
G.D S.p.A.	100%	245,344	245,344
CIMA S.p.A.	100%	22,000	22,000
ACMA S.p.A.	100%	8,606	3,921
GDM S.p.A.	100%	6,330	6,330
MONTALE 164 S.p.A.	100%	137	137
VOLPAK S.A.	100%	14,706	14,706
GROUP SERVICE S.r.l.	100%	29	29
LAETUS GMBH	100%	3,527	3,527
LAETUS MEXICO	100%	3	3
HAPA AG	100%	16,316	16,316
GD TEKNIK HIZMETLER	0.005%	0	0
NORDEN MACHINERY AB	100%	35,813	35,813
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	37,216
TOTAL		**711,624**	**705,600**

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

- the price adjustment agreement for the acquisition of the wholly-owned subsidiary IPI S.r.l., the parent of IPI group, including €1,310 thousand as price increase and €29 thousand for consultancy costs. The carrying amount of the investment in IPI S.r.l. includes €4,500, which will be paid in 2015, within one month of the approval of the financial statements by the same company's shareholders. This amount has been recognised under Other payables;
- the recapitalisation of the subsidiary Acma S.p.A. though a capital injection for future capital increase of €12,000 thousand, made on 18 December 2014, to cover the net loss for the current and previous years. The carrying amount of the investment has been written down by €7,315 thousand for impairment.

The information about each subsidiary required by article 2447.5 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 2014 or draft financial statements at the same date, approved by the respective company bodies. The difference between the carrying amount of Acma S.p.A. and the amount obtained using the equity method is not considered as an impairment loss as it is substantially generated by the amortisation of goodwill of the subsidiary Tecnomeccanica S.r.l., whose results are expected to reabsorb such difference. It is also generated by the different treatment of research and development costs (expensed under the equity method and capitalised in the financial statements of Tecnomeccanica S.r.l.).

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

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

Had investments in direct and indirect subsidiaries and associates included as fixed assets been measured using the equity method, in application of the requirements of article 2426 of the Italian Civil Code, the net profit for the year and net equity at 31 December 2014 would have been the same as the corresponding consolidated financial statements figures at that date, to which reference should be made for further details. The statement analysing changes in investments attached to these notes (Annex II), in accordance with article 10 of Law no. 72/83 indicates assets at year end which have been revalued in previous years under specific laws.

CURRENT ASSETS

RECEIVABLES

From subsidiaries

This caption includes receivables that are not classified as fixed assets relating to the recharging of services and service costs provided to direct and indirect subsidiaries, summarised in Annex V to these notes. The increase on the previous year end relates to the translation difference of €6,014 thousand on the foreign currency loan granted to the subsidiary R.A Jones & Co. Inc. (USD61 million). The loan originally amounted to USD75 million and the outstanding amount was €50,264 thousand at 31 December 2014 (€44,250 thousand at 31 December 2013).The loan, granted 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.

Receivables from the parent

The company has opted to apply, as a consolidated company, the national tax consolidation scheme pursuant to articles 117-129 of the Consolidated Direct Tax Act approved with Presidential decree no. 917 of 22 December 1986 resulting from the changes introduced by Legislative decree no. 344 of 12 December 2003 (Consolidated Income Tax Act) and following provisions. Therefore, this caption includes tax receivables of €6,306 thousand due from the consolidating entity IS.CO S.r.l..

Tax receivables

This caption includes a VAT receivable of €483 thousand.

Deferred tax assets

The decrease in this caption is due to the release of deferred tax assets on unrealised €/USD exchange rate differences.

Receivables from others

This caption mainly includes credit notes to be received from service providers.

Current financial assets

This caption shows the carrying amount of the units of the whole-life insurance policy signed with Credit Agricole during the year. The original amount of €20,000 thousand is increased by accrued interest of €64 thousand.

Interest accrues on a quarterly basis and is paid only when the units are sold, which may be sold upon request of the investor.

Liquid funds

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

	Balance at	
	31/12/14	31/12/13
Bank and postal accounts	40,902	7,723
Cash-in-hand and cash equivalents	5	3
Total	40,907	7,726

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

<u>**NET EQUITY**</u>

Changes in net equity, which consist of the allocation of net profit for the previous year, are provided in "Annex III". "Annex VI" gives a detail of 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, it is noted that the company had not issued any bonus shares, bonds convertible into shares or other financial instruments offering holders equity or participation rights at 31 December 2014.

SHARE CAPITAL

At 31 December 2014, fully subscribed and paid-up share capital consist of 125 million ordinary shares with a nominal value of €1 each.

RESERVES

The legal and extraordinary reserves increased due to the allocation of part of the net profit for 2013, as per the shareholders' resolution taken during their ordinary meeting of 25 June 2014.

PROVISIONS FOR RISKS AND CHARGES

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

The increase of €1,180 thousand is due to the accrual for deferred liabilities (€907 thousand), unrealised exchange rate gains, mainly on the USD loan granted to the subsidiary R.A Joines & Co. measured at the year-end €/USD exchange rate, and temporary deductible (for both financial statements and tax purposes) differences arising from the costs incurred during the year to issue and place the new bonds on the market (€273 thousand), as commented on in the note to bonds. The issue and placement costs will be recovered pro rata over the bond term.

EMPLOYEES' LEAVING ENTITLEMENT

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

Balance at 31/12/13	79
Accrual for the year	107
Utilisation for entitlements and advances paid, payment to the INPS fund and supplementary pension funds	(99)
Increase due to hiring	70
Decrease due to transfers	(54)
Balance at 31/12/14	103

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

PAYABLES

Bonds and payables to the parent

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.

<u>Bonds subscribed by the sole shareholder</u>

In accordance with the resolution taken on 14 April 2011 by the bondholders during their meeting and the shareholders during their extraordinary meeting, the repayment date of the €100 million bonds is 30 June 2018. The company has the right to redeem a portion or all of the outstanding bonds in advance once the eighteenth month and a day from issue have elapsed, following the resolution of the shareholders during an ordinary meeting. Coesia S.p.A. may not exercise this option until the loans totalling €235 million obtained to finance the purchases of Flexlink group, R.A Jones & Co. and IPI S.r.l., described in the note to bank loans and borrowings, have been repaid in full, pursuant to contractual undertakings. This bond, signed by the sole shareholder, accrues interest in arrears at an annual rate of 4.5%, which is payable on 30 June of each year of the bond term, beginning in 2007.

Shareholder loans

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

Bank loans and borrowings

These are detailed below:

Type	Due within one year	Due from one to five years	Due after five years	Balance at 31/12/14	Balance at 31/12/13
Loans	0	0	0	0	6,830
Financing	205,000	30,000	0	235,000	245,000
Committed revolving credit facilities	0	0	0	0	90,000
Total	205,000	30,000	0	235,000	341,830

(in thousands of Euros)

The financial transactions carried out by Coesia S.p.A. during the year, including the issue of bonds expiring in 2021 (see above) and the 5-year €100 million bullet loan disbursed in 2015, have enabled it to reschedule its bank loans due in 2015 (€205 million). Moreover, thanks to its cash inflows, the company repaid €90 million it had drawn from its committed revolving credit facilities, which in any case remain available for a total of €245 million until 2018.

Accordingly, at 31 December 2014, bank loans and borrowings due within one year amount to €205 million, while the portion of €30 million due after one year is due in October 2018.

The loans falling due in October 2015 of €205 million provide for a 24-month interest-only period and half-yearly repayments. They were granted on 10 December 2012 substantially to finance the acquisition of R.A JONES & CO.

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

In October 2013, the company was granted the €30 million bullet loan due in October 2018 to finance the acquisition of IPI group.

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

Furthermore, during the year, the company repaid an 18-month bullet loan of €10 million and the loan disbursed by Unicredit on 1 July 2009 to fund the acquisition of Norden group (€7 million).

Trade payables

This caption decreased by €1,515 thousand on the previous year end, due to lower costs and/or services to be recharged to group companies and to the different timing of expense and payment orders.

Payables to subsidiaries

This caption includes payables to direct and indirect subsidiaries, which are summarised in "Annex V" to these notes and mainly relate to the recharging of costs and services and loans received from the subsidiary G.D S.p.A. (€133,996 million), loans received from the subsidiaries Volpak (€11,000 thousand), GDM S.p.A. (€5,000 thousand) and Flexlink AB (€6,000 thousand), on which interest accrues at market rates. As a result of the June 2014 merger of the indirect subsidiary Nuove Iniziative Industriali S.r.l. into G.D S.p.A., the €6,585 thousand loan due to the merged company is now due to the merging company, G.D S.p.A..

Tax payables

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

	at 31/12/14	at 31/12/13
Withholdings on employees, freelancers and consultants	427	412
Total	427	412

The years from 2010 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 €75 thousand.

Other payables

This caption mainly includes payables for employee remuneration of €462 thousand and the residual payable of €4,500 thousand that Coesia S.p.A. owes for the acquisition of IPI S.r.l. due within one month of the approval of the 2014 financial statements by the subsidiary's shareholders and, in any case, not after 30 June 2015.

ACCRUED EXPENSES AND DEFERRED INCOME

This caption includes accrued interest expense of €3,000 thousand on bonds and of €800 thousand on the bank loans described above.

MEMORANDUM AND CONTINGENCY ACCOUNTS

Pursuant to article 2427-bis of the Italian Civil Code, it is noted that the following interest rate swaps are in place with IntesaSanPaolo, Mediobanca, BNL and Unicredit at 31 December 2014:

- Mediobanca: a swap with decreasing notional value, totalling €25,000 thousand at 31 December 2014, starting from 11 March 2013 and expiring on 26 October 2015. The swap provides for the quarterly payment/collection of the difference between the 3-month Euribor and fixed rate of 0.37%;
- IntesaSanPaolo: a swap with decreasing notional value, totalling €55,000 thousand at 31 December 2014, in two tranches of €27,500 each agreed on 14 and 16 January 2013, respectively and both expiring on 26 October 2015. The swap provides for the quarterly payment/collection of the difference between the 3-month Euribor and the fixed rate of 0.52% for the first tranche and 0.4975% for the second;
- BNL: a swap with decreasing notional value, totalling €70,000 thousand at 31 December 2014, starting from 11 March 2013 and expiring on 26 October 2015. The swap provides for the quarterly payment/collection of the difference between the 3-month Euribor and the fixed rate of 0.38%;
- Unicredit: a swap with decreasing notional value, totalling €55,000 thousand at 31 December 2014, starting from 10 June 2013 and expiring on 26 October 2015. The swap provides for the six-monthly payment/collection of the difference between the 6-month Euribor and the fixed rate of 0.5670%;
- MEDIOBANCA: a swap with decreasing notional value, totalling €100,000 thousand at 31 December 2014, agreed on 4 September 2014, starting from 30 January 2015 and expiring on 1 August 2019. The swap provides for the

quarterly payment/collection of the difference between the 3-month Euribor and the 5-year fixed rate of 0.42%.

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

<u>Currency forwards</u>

This caption includes forward currency sales entered into in 2014 and expiring within February 2015. They hedge specific contractual commitments, whose net notional amount is USD1,912 thousand, as follows:

Sale:

- USD1,661 thousand at the exchange rate of 1.26295, expiry date 28 January 2015;
- USD251 thousand at the exchange rate of 1.38445, expiry date 25 February 2015.

The fair value of currency forward hedges is a negative €78 thousand at the reporting date.

PROFIT AND LOSS ACCOUNT

PRODUCTION REVENUES

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

PRODUCTION COST

This caption is mainly comprised of service costs totalling €7,811 thousand (2013: €10,209 thousand), principally for directors' fees (€1,847 thousand), consultancy services (€1,573 thousand), internal audit, management and coordination and strategic development activities (€710 thousand), contract workers (€484 thousand), employee travel expenses (€474 thousand), advertising (€185 thousand), statutory auditors' fees (€109 thousand) and entertainment (€66 thousand). It also includes costs of €1,831 thousand to be recharged to the group companies as detailed in "Annex V" (other revenues), which also details revenues totalling €7,852 thousand for services provided to subsidiaries. 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):

	2014	2013
Wages and salaries	1,645	2,263
Social security contributions	473	398
Employees' leaving entitlement	107	120
Scholarships	30	21
Total	2,255	2,802

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

	2014	2013	Average
Management	6	5	6
White collars	7	4	7
Total	13	9	13

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. (€25 million), Volpak S.A. (€2 million), HAPA AG (€2.9 million) and Norden AB (€3.6 million).

OTHER FINANCIAL INCOME

This caption includes bank interest income (€21 thousand), the accrued return on the whole-life insurance policy (€64 thousand) and interest income on the loan granted to the subsidiary R.A Jones & Co. (€2,858 thousand).

INTEREST AND OTHER FINANCIAL CHARGES

This caption includes interest expense on bonds of €5,250 thousand and bank interest expense on loans and credit facilities of €10,804 thousand. It also includes interest expense on loans from the subsidiaries G.D S.p.A. (€2,330 thousandVolpak S.A. (€213 thousand), GDM S.p.A. (€62 thousand) HAPA AG (€33 thousand) and Flexlink AB (€30 thousand) and from the parent, IS.CO S.r.l. (€162 thousand).

EXCHANGE RATE GAINS AND LOSSES

This caption mainly comprises exchange rate gains on the USD loan granted to the subsidiary R.A Jones & Co. following its measurement at the year-end exchange rate, as discussed earlier.

ADJUSTMENTS TO FINANCIAL ASSETS

WRITE-DOWNS OF INVESTMENTS

This caption includes the write-down for impairment of the investment in Acma S.p.A., as described in the note to financial fixed assets, equal to its net loss for 2014 (€7,315 thousand).

EXTRAORDINARY INCOME AND EXPENSE

INCOME

It includes the change in current taxes provided for in the separate financial statements.

INCOME TAXES

This caption is comprised of income of €5,332 thousand arising from the adoption of the national tax consolidation scheme described earlier, deferred tax expense of €1,180 thousand and the reversal of deferred tax assets of €508 thousand. The difference between the pre-tax profit and the pre-tax loss calculated for tax purposes is mainly due to the fact that 95% of the dividends were not subject to taxation, the write-downs of investments under the Italian "participation exemption" regime, the deductible portion of unrealised exchange rate gains and the issue and placement costs for the new bonds which are fully deducted in the year under tax legislation rather than being expensed on an accruals basis over the bond term.

ANNEXES

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

The following information is included in these annexes:

- Statement of changes in intangible fixed assets at 31 December 2014 (Annex I);
- Statement of changes in financial fixed assets at 31 December 2014 (Annex II);
- Statement of changes in net equity at 31 December 2014, 2013 and 2012 (Annex III);
- List of investments in subsidiaries and associates at 31 December 2014 as per article 2427.5 of the Italian Civil Code (Annex IV);
- Summary of related party transactions at 31 December 2014 (Annex V);
- Detail of net equity captions in accordance with article 2427.7-bis of the Italian Civil Code at 31 December 2014 (Annex VI);
- Cash flow statement for the year ended 31 December 2014 (Annex VII).

These separate financial statements are consistent with the accounting records.

Bologna, 21 April 2015

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli (signed on the original)

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

Annex I

	Balance at 31 December 2013			Changes during the year			Balance at 31 December 2014		
	Historical cost	Accumulated amortisation	Carrying amount	Increase	Decrease	Amortisation	Historical cost	Accumulated amortisation	Carrying amount
Intangible fixed assets:									
Concessions, licences, trademarks and similar rights	351	(128)	223	219		(160)	570	(288)	282
Deferred charges	6,807	(2,484)	4,323	1,745		(1,680)	8,552	(4,164)	4,388
Assets under development	88	-	88	10		-	98	-	98
Total intangible fixed assets	**7,246**	**(2,612)**	**4,634**	**1,974**		**(1,840)**	**9,220**	**(4,452)**	**4,768**

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

AT 31 DECEMBER 2014

(in thousands of Euros)

	Balance at 31 December 2013				Changes for the year			Balance at 31 December 2014				
	Historical cost	Write-downs	Revaluations as per Law no. 72/83	Carrying amount	Increases	Decreases	Write-downs/ write-backs	Historical cost	Write-downs	Merger	Revaluations as per Law no. 72/83	Carrying amount
Investments												
Subsidiaries measured at cost:												
G.D S.p.A.	243,966		1,378	245,344				243,966			1,378	245,344
ACMA S.p.A.	44,668	(40,747)		3,921	12,000		(7,315)	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.	9,108	(8,971)		137				9,108	(8,971)			137
Volpak SA	14,706			14,706				14,706				14,706
Group Service S.r.l.	600	(571)		29				600	(571)			29
Laetus Italia S.r.l.	0			0				0				0
Laetus France Sarl	0			0				0				0
Laetus GmbH	3,527			3,527				3,527				3,527
Laetus Mexico S de RL	3			3				3				3
Hapa AG	16,316			16,316				16,316				16,316
GD Teknik Hizmetler ve Ticaret Ltd Sirketi	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.	37,216			37,216	1,339			38,555				38,555
Total investments	**755,304**	**(51,082)**	**1,378**	**705,600**	**13,339**		**(7,315)**	**768,643**	**(58,397)**		**1,378**	**711,624**

STATEMENT OF CHANGES IN NET EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

(in thousands of Euros)

			OTHER RESERVES						
	SHARE CAPITAL	LEGAL RESERVE	NEGATIVE GOODWILL	AS PER LAW NO. 904/77	EXTRAORDINARY RESERVE	CAPITAL INJECTION FOR FUTURE SHARE CAPITAL INCREASE	RETAINED EARNINGS (LOSSES CARRIED FORWARD)	NET PROFIT FOR THE YEAR	TOTAL NET EQUITY
Balance at 31 December 2011	125,000	11,426	0	0	82,572	0	0	4,137	223,135
Shareholders' decision at the ordinary meeting of 24 April 2012									
- legal reserve		207						(207)	
- extraordinary reserve					3,930			(3,930)	
Net profit for 2012								5,486	5,486
Balance at 31 December 2012	125,000	11,633	0	0	86,502	0	0	5,486	228,621
Shareholders' decision at the ordinary meeting of 23 April 2013									
- legal reserve		274						(274)	
- extraordinary reserve					5,212			(5,212)	
Shareholders' decision at the ordinary meeting of 29 April 2013									
- distribution of dividends					(16,000)				(16,000)
Net profit for 2013								7,301	7,301
Balance at 31 December 2013	125,000	11,907	0	0	75,714	0	0	7,301	219,922
Shareholders' decision at the ordinary meeting of 25 April 2014									
- legal reserve		365						(365)	
- extraordinary reserve					6,936			(6,936)	
Net profit for 2014								15,571	
Balance at 31 December 2014	125,000	12,272	0	0	82,650	0	0	15,571	235,493

Annex IV

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AT 31 DECEMBER 2014 (ARTICLE 2427 OF THE ITALIAN CIVIL CODE)

COMPANY	% OF OWNERSHIP	REGISTERED OFFICE	SHARE/QUOTA CAPITAL	NET EQUITY		NET PROFIT (LOSS) FOR THE YEAR		Measured using the equity method as per article 2426.4 of the Italian Civil Code	CARRYING AMOUNT	PROVISION TO COVER LOSSES	DIFFERENCE
				TOTAL AMOUNT	COMPANY'S SHARE	TOTAL AMOUNT	COMPANY'S SHARE				
								A	B	C	A - B - C
SUBSIDIARIES											
G.D S.p.A.	100.00%	Bologna	€4,000 thousand	509,135	509,135	112,705	112,705	568,530	245,344		323,186
ACMA S.p.A.	100.00%	Bologna	€9,300 thousand	8,606	8,606	(7,317)	(7,317)	2,829	8,606		(5,777)
CIMA S.p.A.	100.00%	Villanova (Bologna)	€4,810 thousand	20,166	20,166	532	532	22,355	22,000		355
GDM S.p.A.	100.00%	Bologna	€1,500 thousand	16,458	16,458	5,696	5,696	20,536	6,330		14,206
MONTALE 164 S.p.A.	100.00%	Piacenza	€137 thousand	133	133	(7)	(7)	133	137		(4)
VOLPAK S.A.	100.00%	Barcelona (Spain)	€9,900 thousand	36,337	36,337	3,326	3,326	31,843	14,706		17,137
Group Service S.r.l.	100.00%	Bologna	€50 thousand	494	494	98	98	494	29		465
Laetus GmbH	100.00%	Halsbach - Hahnlein (Germany)	€25 thousand	169	169	(4,384)	(4,384)	(1,226)	3,527		(4,753)
LAETUS MEXICO	100.00%	Mexico City (Mexico)	MXN322,500	612	612	(88)	(88)	612	3		609
HAPA AG	100.00%	Volketswill (Switzerland)	CHF1,000,000	9,556	9,556	3,756	3,756	11,026	16,316		(5,290)
Norden Machinery AB	100.00%	Stockholm (Sweden)	SEK112,000	20,912	20,912	1,593	1,593	26,682	35,813		(9,131)
GD Teknik Hizmetler ve Ticaret Ltd	0.01%	Izmir (Turkey)	TRY500,000	5,971	0	2,496	0	0	0		0
COESIA FINANCE S.p.A. (formerly A & C)	100.00%	Bologna	€120 thousand	266	266	(9)	(9)	266	120		146
4S Engineering S.p.A.	60.00%	Bologna	€20 thousand	32	26	7	6	26	16		10
FlexLink Holding AB	100.00%	Gothenburg (Sweden)	SEK3,285,000	146,829	146,829	7,856	7,856	124,009	153,358		(29,349)
Coesia India Private Limited	7.40%	Pune (India)	INR521,291	(398)	(29)	180	13	(29)	370		(399)
R.A JONES & CO	100.00%	Davenport (USA)	USD10	186,299	186,299	43	43	142,296	166,394		(24,098)
IPI S.r.l.	100.00%	Perugia	€13,000 thousand	16,330	16,330	1,948	1,948	37,368	38,555		(1,187)
TOTAL SUBSIDIARIES				977,907	972,298	128,431	125,767	950,381	711,624	0	277,312

Annex V

SUMMARY OF RELATED PARTY TRANSACTIONS
AT 31 DECEMBER 2014
(in thousands of Euros)

	BALANCE SHEET				PROFIT AND LOSS ACCOUNT					
	DIVIDENDS RECEIVABLE	OTHER RECEIVABLES	TOTAL RECEIVABLES	PAYABLES	SERVICES	USE OF THIRD-PARTY ASSETS	FINANCIAL CHARGES	DIVIDENDS	OTHER REVENUES AND INCOME	FINANCIAL INCOME
Parent										
IS.CO S.r.l.		6,306	6,306				162			
Direct subsidiaries										
G.D S.p.A.		547	547	134,264	923	42	2,330	25,000	917	
CIMA S.p.A.		23	23						38	
ACMA S.p.A.		299	299						1,063	
GDM S.p.A.		195	195	5,062	10	3	62		435	
VOLPAK SA		4	4	11,136			213	2,000	636	
HAPA AG		13	13				33	2,914	41	
LAETUS GMBH		26	26						48	
LAETUS Mexico		6	6						6	
R.A JONES & CO		52,157	52,157	175	168				1,137	2,860
FLEXLINK AB		601	601	6,031			30		1,446	
Montale 164 S.p.A.									2	
IPI S.r.l.		160	160						213	
A & C S.p.A.									2	
Group Service S.r.l.									6	
4S ENGINEERING S.r.l.		2	2						26	
COESIA INDIA PRIVATE LIMITED		1	1							
GD TEKNIK HIZMETLER VE TICARET LTD					1					
Indirect subsidiaries										
G.D Industrie S.r.l.									2	
Nova Prefabbricati S.r.l.									2	
CITUS KALIX		104	104	13	10				236	
ADMV S.A		11	11						59	
Lesina Autonoleggio S.r.l.					6				3	
SASIB S.p.A.		18	18						36	
SACMO SA		7	7	67	67				292	
Co.me.sca S.r.l.		3	3						15	
Norden Machinery AB		334	334					3,630	952	
Flexlink Systems PTE LTD - Singapore				21	204					
Flexlink Systems S.p.A.				6						
Flexlink Systems - France		17	17		84					
Flexlink Systems GmbH									76	
R.A JONES & CO - United Kingdom		2	2						16	
SIRIUS - China		76	76						26	
G.D - United Kingdom									9	
LAETU ITALIA S.r.l.									4	
Laetus France SCARL		97	97							
GD USA									34	
G.D Do Brasil		109	109						74	
TOTAL SUBSIDIARIES		**61,118**	**61,118**	**156,775**	**1,473**	**45**	**2,830**	**33,544**	**7,852**	**2,860**

Annex VI

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

AT 31 DECEMBER 2014 (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	12,272	B		0
Reserve for own shares				
Translation reserve				
Extraordinary reserve	82,650	A,B,C	82,650	0
Reserve as per waiver under article 2423.4				
Retained earnings (losses carried forward)				0
TOTAL			**82,650**	
available portion			**82,650**	**0**

Key:

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of Euros)

	31/12/2014	31/12/2013
A. Cash flows from operating activities (indirect method)		
Net profit for the year	**15,571**	**7,300**
Income taxes	(5,332)	(4,732)
Net interest expense	15,941	13,467
Dividends collected	(33,544)	(28,824)
Net losses (gains) on disposals of tangible and intangible fixed assets	-	-
1. Net profit for the year before income taxes, interest, dividends and gains/losses on sale of assets	***(7,364)***	***(12,789)***
Adjustments for non-monetary items that did not affect net working capital		
Accruals to provisions for risks	1,180	-
Accruals to employees' leaving entitlement	107	120
Amortisation and depreciation	1,840	1,743
Write-downs for impairment	7,315	5,379
Other adjustments for non-monetary items	-	-
2. Cash flows before changes in net working capital	***10,442***	***7,242***
Changes in net working capital		
Decrease in trade payables	(1,515)	(472)
Increase in prepayments and accrued income	(21)	(34)
Increase in accrued expenses and deferred income	549	523
Other changes in net working capital	50,605	79,102
3. Cash flows after changes in net working capital	***49,618***	***79,119***
Other adjustments		
Net interest paid	(15,487)	(14,277)
Income taxes paid	4,732	3,674
Dividends collected	33,544	28,824
Utilisation of employees' leaving entitlement	(83)	(135)
Utilisation of provisions for risks	-	(4,062)
4. Cash flows after other adjustments	***22,706***	***14,024***
Cash flows from operating activities (A)	***75,402***	***87,597***
B. Cash flows from investing activities		
Intangible fixed assets		
Investments	(1,974)	(3,084)
Financial fixed assets		
Investments	(13,353)	(41,633)
Current financial assets		
Investments	(20,064)	-
Acquisition or sale of subsidiaries or business units, net of liquid funds		
Cash flows used in investing activities (B)	***(35,391)***	***(44,717)***
C. Cash flows from financing activities		
Third party funds		
New loans	100,000	-
Repayment of loans	(106,830)	(20,910)
Interim dividends paid	-	(16,000)
Cash flows used in financing activities (C)	***(6,830)***	***(36,910)***
Increase in liquid funds (A ± B ± C)	**33,181**	**5,970**
Opening liquid funds	7,726	1,756
Closing liquid funds	40,907	7,726
	33,181	**5,970**