(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 2017

(with independent auditors' report thereon)

KPMG S.p.A.

24 April 2018

KPMG S.p.A.
Revisione e organizzazione contabile
Via Innocenzo Malvasia, 6
40131 BOLOGNA BO
Telefono +39 051 4392511
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(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 audit of the financial statements

Opinion

We have audited the financial statements of Coesia S.p.A. (the "Company"), which comprise the balance sheet as at 31 December 2017, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the financial position of Coesia S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of Coesia S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Coesia S.p.A. for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of Coesia S.p.A. are responsible for the preparation of the Company's directors' report at 31 December 2017 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Company's financial statements at 31 December 2017 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the financial statements of Coesia S.p.A. at 31 December 2017 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, 24 April 2018

KPMG S.p.A.

(signed on the original)

Rodolfo Curti
Director of Audit

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

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

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

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2017 ANNUAL REPORT

DIRECTORS' REPORT

Dear shareholders,

This report accompanies the financial statements of Coesia S.p.A. as at and for the year ended 31 December 2017, 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 production, packing and packaging machinery for the tobacco, food, cosmetics, pharmaceutical, nappy and consumer goods segments, fume quality control and chemical test instruments and machinery, 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 & Materials), (ii) manufacturing logistics solutions and production automation, in-line printing and premium and luxury goods packaging equipment (Industrial Process Solutions) and (iii) gears on behalf of third parties (Precision Gears, "Other").

On 1 August 2017, through the subsidiary G.D S.p.A., the Coesia Group, acquired from the UK company Molins PLC, the companies MPRD Ltd and its subsidiaries, operating in the Instrumentation & Tobacco Machinery segment with the Molins brand, for the design, development and production of automated machinery for the tobacco industry, and the Cerulean brand, for the supply of fume quality control and chemical test instruments and machinery.

Thanks to the acquisition of Molins and Cerulean, the Group was able to further consolidate its leadership in the tobacco industry, expanding its product portfolio in the automated machinery sector and extending its offer in the instrumentation segment.

On 22 September 2017, through the subsidiary RA Jones Inc., the Coesia Group acquired 100% of MGS Machine Corporation, a US company operating in the supply of automated packaging machinery and equipment for the pharmaceutical and life science, food, personal care and cosmetics sectors, thereby additionally strengthening its leadership in the North American automated machinery market.

In 2017, Coesia S.p.A. acquired 49% of XPack S.r.l., with registered office in Granarolo Emilia (BO). This company is active in the design and production of innovative packaging machinery. Its acquisition is part of the development strategy for the Advanced Automated Machinery & Materials segment.

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 production, 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, Poland and the United Arab Emirates) that serve as its distribution and after-sales centres, as well as, in some cases, 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 line of products that G.D S.p.A. offers to its customers; (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 and (iii) MPRD Ltd, with registered office in Milton Keynes (UK), active worldwide in the instrumentation and tobacco machinery segments, respectively under the Cerulean (supply of fume quality control and chemical test instruments and machinery) and Molins (design, development and production of automated machinery for the tobacco industry) brands. MPRD Ltd's wholly-owned subsidiaries in China, Brazil, Germany and Singapore carry out distribution and after-sales activities, while its Czech subsidiary carries out production activities.

- 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 and related packing lines for the cosmetics and pharmaceutical industry. 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 the 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; it directly controls MGS Machine Corporation, based in Minneapolis (Minnesota) and active in the supply of automated packaging machinery and equipment of the pharmaceutical and life science, food, personal care and cosmetics segments.
- 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.

INDUSTRIAL PROCESS SOLUTIONS (IPS)

- FLEXLINK AB, a Swedish group with registered office in Gothenburg (Sweden), operates in the design, construction and sale of logistics and high-end production automation 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 in the cosmetics segment.
- EMMECI S.p.A., with registered office in Cerreto Guidi (Florence), designs, produces and distributes automated machinery for the production of premium and luxury goods

packaging.

OTHER

- 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

2017 saw faster global growth in the emerging, developing and advanced economies.

In 2017, US GDP rose 2.3% (+1.6% in 2016), Eurozone GDP rose 2.4% (+1.7% in 2016). In Germany, it grew 2.5% (+1.7% in 2016), whereas in Japan, it increased 1.8% (+0.9% in 2016). In the main emerging and developing economies, economic growth rates remained positive in China and India. Chinese GDP grew 6.8%, compared to 6.7% in 2016, while India's GDP increased 6.7%, compared to 6.6% in 2016.

According to the International Monetary Fund's most recent estimates, the expected growth of the global economy for 2018 and 2019 should be around 3.9% pa, which is better than previous forecasts. The revised estimates reflect the global economy's faster growth and the expected effect of the recently approved changes in the US tax policy.

The main risks that may affect these forecasts are the possible financial market correction, geopolitical tensions, protectionist policies and the uncertain political climate of certain countries.

The growth of the Eurozone in 2018 should be 2.2%, slightly down on 2017 as a result of the expected decline in the growth of most of the main advanced economies of this area (Germany, Italy and Spain). Japan continues to struggle, with a 1.2% growth rate predicted for 2018.

In the emerging and developing economies, growth in the next two years is expected to increase to 4.9% in 2018 and 5.0% in 2019 compared to 4.7% in 2017.

Markets

The results achieved by the group companies in their respective markets in 2017 were better than in 2016 and in line with forecasts, despite the growing but still uncertain macroeconomic situation.

Advanced Automated Machinery & Materials (AAM&M)

Volumes increased in 2017, while this segment's performance was substantially in line with the previous year, despite the complex market conditions. With respect to the tobacco industry, cigarette consumption increased slightly at a global level, mainly thanks to the increase in the new generation products (electronic cigarettes), whose volumes are rocketing especially in Japan and South Korea, with positive results in Europe and the USA. The growing popularity of the new generation products in these countries more than offset the decrease in consumption of conventional products, which is however stable in South East Asia and China. Generally speaking, the market is undergoing radical change triggered by these new products, whose production technology is more similar to that of the pharmaceutical sector. In addition to the multinationals (first of all, Philip Morris International) that have heavily promoted these innovative no-combustion products, the rest of the market, including China, will soon follow suit and new important opportunities for the supply of new machinery platforms will and new important opportunities for the supply of new machinery platforms will emerge.

Turning to the conventional product machinery, the focus is especially on cost cutting policies. Opportunities for the supply of improvements to the current machinery may arise, as well as for the transformation of existing machinery to make it compliant with the increasingly stringent anti-smoking regulations.

The consumer goods machinery business performed well, thus offsetting the slow down in the aseptic filling machinery and materials business. The consumer goods machinery business confirmed growth trends in the European and North American markets, where investments are tied to the need for product diversification and innovation and the requirement for more efficient production processes which can be satisfied thanks to the product portfolio and the high quality after-sale services of the business consumer goods machinery. On the other hand, growth in the emerging and developing economies is sustained by the greater demand for consumer goods generated by the increase in their populations and purchasing power.

Once again, important investments were made in R&D in 2017 which enabled the company to expand its product portfolio in order to meet its customers' requirements. The company prioritised its 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 containment. Thanks to technological innovation and its widespread international presence, the company expects to improve its future sales and profitability.

Industrial Process Solutions (IPS)

The IPS segment grew significantly in 2017, with a marked improvement in its financial performance and profitability compared to the previous year, confirming the trend already seen in 2016. The segment even outperformed the budget.

In Europe and North America, the IPS segment's main markets, very satisfactory growth was seen in its principal industrial sectors: automotive, pharma, food and consumer goods. The market share in emerging and developing economies is in line with the previous year. The traditional markets gave the largest contribution in terms of an increase in sales and brilliant results in terms of percentage increases were seen in

South East Asia, Japan and Mexico.

Forecasts for 2018 confirm the achieved results and further systematic organic growth in traditional markets, in addition to a special focus on China and South East Asia.

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 an additional impact on cigarette consumption and the demand for new machinery. The new laws may affect the demand for machinery and prices with an effect on the company’s profitability. This risk is mitigated by the opportunities to transform existing machinery in order to make it compliant with the new legislation and the supply of innovative products.

Though present, credit, liquidity, currency and interest rate risks do not have significant potential impacts on the Group’s current 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 7.4%

of its revenue in research, development and engineering. 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. In 2010, the parent and main Italian group companies adopted the management model provided for by Legislative decree no. 231 covering occupational safety, which, from 2014, also covers the crimes of bribery in the private sector and undue inducement to give or promise benefits.

Performance

The company recorded a net profit for the year of €53.0 million (€51.7 million for 2016), which mainly includes dividends received from subsidiaries of €74.1 million (including €70 million from G.D S.p.A., €3.7 million from HAPA AG and €0.4 million from Group Service S.r.l.) compared to €69.2 million in 2016.

Trends in financial income and charges are shown in the cash flow statement. The net financial debt at 31 December 2017 amounts to €510.9 million, compared to €485.6 million at 31 December 2016 (including securities, the fair value of derivatives, investments in closed-end funds, financial receivables/payables from/to subsidiaries, the financial payable to the parent and bonds). The net financial debt includes loans and borrowings totalling €330 million, including €50 million due in 2020, €180 million due in 2021 and €100 million due in 2022. Furthermore, the company issued bonds, €100 million of which mature on 30 June 2018 and €100 million on 1 October 2021.

The increase in the net financial debt is mainly due to the net effect of the increase in dividends from subsidiaries and the capitalisation of the subsidiaries ACMA S.p.A. and Coesia Finance S.p.A. carried out during the year (€27.7 million).

Gross interest and other financial charges of €14.7 million are substantially in line with the previous year (€14.7 million) despite the increase in the net financial debt, due to the renegotiation of certain loans and borrowings during the year that led to an improvement in interest rates.

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 2017 pursuant to Legislative decree no. 127/91. The consolidated financial statements will be filed together with these 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 2017 consolidated financial statements:

- G.D S.p.A.'s 2017 turnover increased to €668.4 million in 2017 from €633.0 million in

2016. Its 2017 operating profit came to €158.4 million (€147.4 million in 2016), net of R&D costs of approximately 5% of turnover. The improvement in operating profit is mainly due to larger sales volumes, which increased in 2017 after the principal multinationals companies adopted a more prudent approach in 2016. The outlook for 2018 confirms the growth thanks to new investments by customers;

- A.C.M.A. S.p.A. recorded turnover of €63.1 million, up from €59.9 million in 2016, and an operating loss of €0.2 million, up on the €0.9 million operating loss of 2016. The improvement is mainly due to the larger turnover and more efficient processes. Growth forecasts are confirmed thanks to the 2018 order backlog, which is significantly larger than in the previous year, and the continuation of the ongoing efficiency improvement projects that allowed the company to improve its contract cost monitoring;
- GDM S.p.A.'s 2017 turnover decreased slightly to €75.7 million from €79.2 million in 2016. Its operating profit was affected by the decrease in turnover and dropped marginally to €7.4 million in 2017 compared to €8.8 million in 2016, however still at 10% of turnover. The company ended the year with a good number of sales negotiations commenced, which are expected to generate feedback in 2018, when the company will continue to be committed to increasing and diversifying its customer base and developing new products to expand its offer;
- VOLPAK SA closed 2017 with turnover (€50.9 million) considerably above the 2016 figure (€41.2 million). Operating profit rose from a loss of €3.6 million in 2016 to a profit of €6.0 million in 2017 due to the higher turnover and the improved efficiency of the costs for the performance of innovative high tech projects, which were in their start up stage in 2016 and negatively affected that year's results. The recovery commenced in 2017 is expected to continue in 2018;

- CIMA S.p.A. performed better in 2017 than in 2016. The company's 2017 turnover is up on the previous year (from €24.7 million to €29.1 million) and its operating profit grew from €2.3 million in 2016 to €2.5 million in 2017. The company's improved profitability is mainly due to the favourable product sales mix, achieved also thanks to the diversification of the customer base and penetration into new sectors, such as aeronautics and aerospace, which began in previous years and is expected to continue in 2018;
- Hapa AG's 2017 consolidated turnover decreased to €46.7 million from €55.4 million in 2016 and its operating profit fell to €2.8 million from €5.8 million in 2016. The worsening in turnover and operating profit is mainly due to the development of new products and the initial stage of the placement of new digital technologies on the market, which are expected to allow the company to recover volumes and profitability in 2018;
- the Norden Group, which also includes Citus Kalix Sas, recorded turnover in line with the previous year, which went from €123.4 million in 2016 to €124.2 million in 2017. Its operating profit increased to €7.8 million from €6.7 million in 2016, when an unfavourable project mix led to reduced profitability compared to that historically recorded by the Norden Group;
- the Flexlink Group ended 2017 with consolidated turnover of €248.9 million (€221.5 million in 2016) and an operating profit of €30.3 million (€25.4 million in 2016). The 2017 operating profit reflects larger turnover and 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 2018 is to continue with the actions taken in the previous year. The new year has started well

with a higher order backlog and a significant number of customer negotiations;

- R.A Jones & Co.'s 2017 turnover was €110.1 million (€110.6 million in 2016) and its operating profit amounted to €17.1 million (€16.9 million in 2016). The drop in turnover over the previous year is mainly due to the exchange rate trends; indeed USD turnover increased by 1.6% compared to the previous year. The improvement in operating profit reflects the focus on after-sale services, improvement in the process for the implementation and testing of projects and the important measures for the rationalisation of both production and general costs completed in 2016. Thanks to the current order backlog and ongoing negotiations, 2018 volumes are expected to consolidate and the customer base to diversify;
- the Emmeci Group ended 2017 (the first full year after having been acquired by the Coesia Group) with turnover of €30.3 million and operating profit of €8.6 million, confirming the satisfactory performance seen in the second half of 2016. Its 2018 expected growth will be sustained by the current order backlog and ongoing negotiations;
- the IPI Group's 2017 turnover came to €45.8 million (€54.1 million in 2016) and its operating loss amounted to €4.1 million (operating profit of €1.2 million in 2016). The drop in turnover and profitability is mainly due to the loss of one of its main customers and the costs incurred and investments made to improve production efficiency. The group continued its internal reorganisation during the year, in order to support the significant production and technological investments underway. It strengthened its actions in the commercial area to adequately address its customer diversification strategy, increasing its penetration in the main markets, in order to support the expected future growth.

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.

Outlook

Positive forecasts can be confirmed for the Coesia Group in 2018 considering the trends in negotiations underway with customers, incoming orders expected during the year and the Group’s order backlog at the reporting date, which is 16.1% higher than the previous year end. Expectations for the Advanced Automated Machinery & Materials operating segment include an improvement in the main financial results, maintaining profitability thanks to the product mix, greater 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 results in 2018, especially those of a financial nature. In line with previous years, the Group is making investments in digital products with high technological and innovative content. The Group’s involvement in the Industria 4.0 project will, hence, allow it to penetrate more profitable market segments.

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

Bologna, 24 April 2018

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli

(signed on the original)

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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FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

(figures shown in Euros)

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	31 December	**31 December**
BALANCE SHEET	**2017**	**2016**
ASSETS		
(A) Share capital proceeds		
to be received	0	0
(B) Fixed assets		
I - Intangible fixed assets:		
4) Concessions, licences, trademarks and similar rights	233,830	308,737
7) Other	2,746,101	2,873,494
Total	2,979,931	3,182,231
II - Tangible fixed assets	0	0
III - Financial fixed assets		
1) Equity investments:		
a) subsidiaries	734,679,562	706,912,967
b) associates	2,573,996	0
Total	737,253,558	706,912,967
2) Financial receivables		
d) from others		

- due within one year	2,706,856	3,750,000
- due after one year	21,200	28,900
Total	2,728,056	3,778,900
3) Other securities		
-due after one year	1,888,883	0
Total	1,888,883	0
4) Derivatives		
-due after one year	0	0
Total	0	0
Total financial fixed assets	741,870,497	710,691,867
Total fixed assets	744,850,428	713,874,098
(C) Current assets		
I - Inventory	0	0
II - Receivables		
1) Trade receivables	2,034	0
2) From subsidiaries:		
- due within one year	40,927,318	4,427,605
- due after one year	0	43,757,739
Total	40,927,318	48,185,344
3) From associates:		
- due after one year	463,328	0
Total	463,328	0
4) From the parent	3,886,295	4,973,767
5) From subsidiaries of parents	146,162	0
5-bis) Tax receivables	461,155	590,826

5-ter) Deferred tax assets	2,902,892	1,525,691
5) From others	44,130	531,020
Total	48,833,314	55,806,648
III - Current financial assets		
5) Derivatives	0	48,796
6) Other securities	38,581,771	33,112,864
7) Financial assets from cash pooling arrangements	36,155,259	0
Total	74,737,030	33,161,660
IV - Liquid funds		
1) Bank and postal accounts	563,306	873,029
3) Cash-in-hand and cash equivalents	7,000	4,517
Total	570,306	877,546
Total current assets	124,140,650	89,845,854
(D) Prepayments and accrued income	90,636	46,045
TOTAL ASSETS	869,081,714	803,765,997
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	13,033,477	10,447,099
V - Statutory reserves	0	0
VI - Other reserves		
1) Extraordinary reserve	33,053,300	33,934,971
2) Translation reserve	8,257,759	8,234,912

3) Euro rounding reserve	0	1
Total	41,311,059	42,169,884
VII – Hedging reserves	(1,915,099)	(1,624,843)
VIII - Retained earnings/(losses carried forward)	0	0
IX - Net profit for the year	53,042,424	51,727,554
X – Reserve for own shares	0	0
Total net equity	230,471,861	227,719,694
(B) Provisions for risks and charges		
2) Tax provision, including deferred tax liabilities	816,338	2,159,920
3) Derivatives	2,611,080	2,157,926
4) Other provisions	8,687,000	4,070,000
Total provisions for risks and charges	12,114,418	8,387,846
(C) Employees' leaving entitlement	72,502	73,779
(D) Payables		
1) Bonds:		
- due after one year	100,000,000	130,000,000
Total	100,000,000	130,000,000
3) Shareholder loans:		
- due within one year	100,000,000	0
- due after one year	0	70,000,000
Total	100,000,000	70,000,000
4) Bank loans and borrowings		
- due after one year	329,720,674	179,896,269
Total	329,720,674	179,896,269
7) Trade payables	1,353,034	1,671,483

9) Payables to subsidiaries		
- due within one year	985,240	171,540,289
- due after one year	90,000,000	0
Total	90,985,240	171,540,289
11) Payables to the parent	0	10,000,000
11bis) Payables to subsidiaries of parents	19,036	1,300
12) Tax payables	371,992	505,046
13) Social security charges payable	94,537	86,049
14) Other payables	347,894	414,088
Total payables	622,892,407	564,114,524
(E) Accrued expenses and deferred income	3,530,526	3,470,154
TOTAL LIABILITIES	869,081,714	803,765,997

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PROFIT AND LOSS ACCOUNT	**2017**	**2016**
(A) Production revenues		
5) Other revenues and income	7,420,680	6,765,915
Total production revenues	7,420,680	6,765,915
(B) Production cost		
6) Raw materials	20,271	0
7) Services	9,657,459	11,435,989
8) Use of third party assets	177,613	204,537
9) Personnel expenses:		
a) wages and salaries	1,348,487	3,281,256
b) social security contributions	315,594	409,156
c) employees' leaving entitlement	85,648	106,225

e) other costs	15,567	22,754
Total	1,765,296	3,819,391
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	849,691	929,835
Total amortisation, depreciation and write-downs	849,691	929,835
13) Other provisions	4,617,000	3,620,000
14) Other operating costs	313,049	85,491
Total production cost	17,400,379	20,095,243
Operating loss	(9,979,699)	(13,329,328)
(C) Financial income and charges		
15) Income from investments:		
in subsidiaries		
a) dividends	74,115,457	69,236,477
b) gains on sale	55,677	0
Total	74,171,134	69,236,477
16) Other financial income:		
d) other income:		
- other	585,340	566,608
- interest from subsidiaries	2,343,554	2,982,681
- interest from associates	5,234	0
Total	2,934,128	3,549,289
17) Interest and other financial charges:		
- interest to subsidiaries	(3,209,903)	(2,720,007)
- interest to the parent	0	0
- other	(11,459,425)	(11,355,064)

- losses on sale	0	(622,353)
Total	(14,669,328)	(14,697,424)
17-bis) Net exchange rate gains (losses)	(4,984,797)	1,491,299
Net financial income	57,451,137	59,579,641
(D) Adjustments to financial assets		
18) Write-backs		
d) derivatives	0	37,952
19) Write-downs		
d) derivatives	(91,212)	(9,132)
Total adjustments to financial assets	(91,212)	28,820
Pre-tax profit	47,380,226	46,279,133
20) Income taxes,		
current and deferred	2,629,123	1,325,149
- income due to participation in the national tax consolidation scheme	3,033,075	4,123,272
Total	5,662,198	5,448,421
21) Net profit for the year	53,042,424	51,727,554

Cash flow statement for the years ended 31 December 2017 and 2016

	2017	2016
A. Cash flows from operating activities (indirect method)		
Net profit for the year	**53,042,424**	**51,727,554**
Income taxes	(5,662,198)	(4,123,272)
Net interest expense	11,735,200	10,525,780
Dividends collected	(74,115,457)	(69,236,480)
Net losses (gains) on disposals of tangible, intangible and financial fixed assets	(55,677)	622,353
1. Net loss for the year before income taxes, interest, dividends and gains/losses on sale of assets	***(15,055,708)***	***(10,484,065)***
Adjustments for non-monetary items that did not affect net working capital		
Accruals to provisions for risks	4,617,000	3,620,000
Accruals to employees’ leaving entitlement	85,648	106,230
Amortisation and depreciation	849,691	929,840
Write-downs for impairment	0	0
Fair value losses (gains) on derivatives	501,950	2,108,926
Fair value losses (gains) recognised in the hedging reserve	(290,256)	(1,624,843)
2. Cash flows before changes in net working capital	***(9,291,675)***	***(5,343,912)***
Changes in net working capital		
Decrease in trade payables	(318,449)	(149,509)
Decrease/(increase) in prepayments and accrued income	(44,591)	31,396
Increase in accrued expenses and deferred income	60,372	42,705
Other changes in net working capital	730,364	(5,150,351)
3. Cash flows after changes in net working capital	***(8,863,979)***	***(10,569,671)***
Other adjustments		
Net interest paid	(11,373,417)	(10,664,780)
Income taxes paid	4,123,272	4,596,270
Dividends collected	74,115,457	69,236,480
Utilisation of employees’ leaving entitlement	(86,925)	(143,310)
Cash flows from operating activities (A)	***57,914,408***	***52,454,989***
B. Cash flows from investing activities		
Intangible fixed assets		
Investments	(647,391)	(142,000)
Proceeds from disposals	0	0
Financial fixed assets		
Investments	(32,229,474)	(29,578,200)
Proceeds from disposals	1,106,521	0
Current financial assets		
Investments	(5,468,907)	(6,505,296)
Proceeds from disposals	0	0
Financial assets from cash pooling arrangements		
Investments	(36,155,259)	0
Cash flows used in investing activities (B)	***(73,394,510)***	***(36,225,496)***
C. Cash flows from financing activities		
New loans	149,824,405	49,896,269
Repayment of loans	0	(15,000,000)
Increase (decrease) in loans and borrowings with subsidiaries	(4,314,840)	(85,776,703)
Increase (decrease) in payables arising from cash pooling arrangements	(70,336,703)	70,336,703
Interim dividends paid	(60,000,000)	(40,000,000)
Cash flows from (used in) financing activities (C)	***15,172,862***	***(20,543,731)***
Decrease in liquid funds (A ± B ± C)	**(307,240)**	**(4,314,238)**
Opening liquid funds	877,546	5,191,784
Closing liquid funds	570,306	877,546

NOTES TO THE 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 production, packing and packaging machinery for the tobacco, food, cosmetics, pharmaceutical, nappy and consumer goods segments, fume quality control and chemical test instruments and machinery, aseptic filler machines, package opening and closing systems and multi-layer packaging material using a combination of polyethylene, paper and aluminium sheets, (ii) manufacturing logistics solutions and production automation, in-line printing and premium and luxury goods packaging equipment and (iii) gears on behalf of third parties.

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.

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 is 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.

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. 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 2017, 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 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 2017.

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, the company 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.

Equity investments 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.

Equity investments are written back up to their original cost if the reasons for the write-downs cease to exist.

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 that 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 net 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 portions 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 expenses and income collected/paid during the year or in previous years but pertaining to one or more subsequent years.

Accordingly, these captions comprise only portions of expenses and income relating to two or more years, whose amount varies on a time or economic accruals basis.

At each year end, the company 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 its expected realisable value, whereas that of prepayments is based on the existence of future economic benefits matching the deferred costs.

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 for 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 not been 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.r.l.'s national 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 and the date on which the financial statements are expected to be approved by the shareholders which 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 services	KPMG S.p.A.	Coesia S.p.A.	85
Other attestation services	KPMG S.p.A.	Coesia S.p.A.	11
Total Coesia S.p.A.			**143**
Audit	KPMG S.p.A.	Subsidiaries	286
Audit	KPMG network	Subsidiaries	882
Other attestation services	KPMG S.p.A.	Subsidiaries	28
Other attestation services	KPMG network	Subsidiaries	2
Tax services	KPMG network	Subsidiaries	38
Other services	KPMG network	Subsidiaries	2
Other services	KPMG network	Subsidiaries	4
Total subsidiaries			**1,242**
Total			**1,395**

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 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 €2,746 thousand refer to charges related to bonds, loans and borrowings described further on under bonds, bank loans and borrowings. These charges are amortised over the term of the related loans and refer to loans in place prior to 1 January 2016 and costs for renewing credit facilities not yet used.

Moreover, the company capitalised costs of €59 thousand incurred to register the trademark and new software licence costs of €11 thousand.

FINANCIAL FIXED ASSETS

Investments in subsidiaries

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

	% of ownership at 31/12/2017	31/12/2017	31/12/2016
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%	16,306	8,606
GDM S.p.A.	100%	6,330	6,330

VOLPAK S.A.	100%	14,706	14,706
GROUP SERVICE S.r.l.	100%	0	29
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%	20,120	120
4S ENGINEERING S.r.l.	100%	112	16
FLEXLINK HOLDING AB	100%	153,358	153,358
COESIA INDIA PRIVATE L.	4.7%	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	29,571
TOTAL		**734,680**	**706,913**

The increases for the year refer to:

- the acquisition of the remaining share (20%) of 4S ENGINEERING S.r.l. on 8 May 2017. In addition, the company made a capital injection of €90 thousand into the subsidiary on 18 December 2017;
- the capital injection (€20,000 thousand) made into Coesia Finance S.p.A. on 18 December 2017 so that the subsidiary, which manages the Coesia group's cash pooling, would have adequate capitalisation for its operations;
- the capital injection (€7,700 thousand) made into the subsidiary A.C.M.A. S.p.A..

The only decrease for the year refers to the liquidation of Group Service S.r.l., which had been inactive for some time, on 19 December 2017. Income of €56 thousand arose on the liquidation and was recognised under financial income from investments. Before the liquidation process began, the company had also distributed dividends of €440 thousand to its parent during the year.

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 2017 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 as 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 IPI S.r.l., 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 2017 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 equity 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.

Investments in associates

On 8 May 2017, the company acquired 49% of XPack S.r.l., with registered office in Granarolo Emilia (BO), for €2,531 thousand. This company is active in the design and production of innovative packaging machinery. Its acquisition is part of the strategy to boost the group's core operations. The caption also includes interest income of €42 thousand on the loan granted to XPack S.r.l. commented on later.

Receivables from others

Furthermore, financial fixed assets include €2,707 thousand as the residual portion of the consideration to be collected for the 2015 sale of the Laetus business. This amount, lodged in a bank account managed by the notary that concluded the business sale, was originally equal to €3,750 thousand and was supposed to be collected on 1 December 2017.

The only partial collection of the amount was due to the claim for damages from the buyer just before the due date, which prevented the total amount of the escrow account in favour of Coesia S.p.A. to be unblocked.

Following an analysis of the reasons underlying the claim for damages, it was deemed not to be founded on objective grounds and, therefore, no write-down was recognised in the financial statements.

Other securities

This caption refers to the company's units in two closed-end funds investing in companies developing innovative technologies (venture capital companies). As these are long-term investments, they are classified under financial fixed assets and measured at cost. Such funds require the company to invest in the fund, providing its cash contribution only when requested by the fund as part of its acquisition activities. The company undertook to subscribe units for total amounts of €5,000 thousand and USD5,000 thousand, respectively.

CURRENT ASSETS

RECEIVABLES

From subsidiaries

This caption includes loans granted to subsidiaries and current receivables 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 R.A. Jones & Co for USD75 million in 2012. Such loan, with a residual debt of USD44 million at 31 December 2017, equal to €36,792 thousand (31 December 2016: USD46 million, equal to €43,758 thousand), decreased on the previous year end due to both repayments made during the year (USD2 million, equal to €1,539 thousand) and the appreciation of the US Dollar to the Euro (decrease of €5,426 thousand due to the translation to Euro at year end). The loan granted to R.A Jones & Co. in December 2012 at market rates, provides for the half-yearly payment of interest and bullet repayment of principal in December 2018, with the possibility of early repayment, including partially in multiple 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 €3,886 thousand due from the consolidating entity IS.CO S.r.l..

From associates

This caption includes a loan to the associate XPACK S.r.l. (€463 thousand).

The five-year non-interest bearing loan was granted at a nominal amount of €500 thousand.

In accordance with accounting standards applicable for such type of loan to investees, the company separated the interest income on the loan, calculated at €42 thousand, reducing the loan by such amount and simultaneously increasing the carrying amount of its investment in the associate.

Tax receivables

This caption includes a VAT receivable of €461 thousand.

Deferred tax assets

This caption refers to deferred taxes of €2,903 thousand, mainly related to the accruals to the non-deductible provisions and derivatives.

Receivables from others

Receivables from others mainly refer to advance tax payments made for an employee seconded to Flexlink Singapore (€40 thousand) and advances to suppliers (€2 thousand). The decrease on the previous year end (€500 thousand) refers to the advance payment made to XPack for their future collaboration, which was then transformed into the above-mentioned loan in 2017.

Current financial assets

Other securities

This caption shows the year-end carrying amount of the units of the whole-life insurance policy signed by the company with:

- Credit Agricole, for an original amount of €20,000 thousand increased by €2,000 thousand on 7 April 2016, in addition to the total accrued return of €1,256 thousand;
- Zurich, for an original amount of €5,000 thousand increased by another €5,000 thousand on 19 December 2017;
- BNP/Cardif, for an original amount of €5,000 thousand, in addition to the total accrued return of €326 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.

Financial assets from cash pooling arrangements

This caption includes the receivable due from Coesia Finance S.p.A., which manages the Coesia group's cash pooling, amounting to €36,155 thousand, which matches the total amount of cash provided by the company. At 31 December 2016, the company recognised a payable of €70,337 thousand, included under payables to subsidiaries.

Liquid funds

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

	Balance at	
	31/12/2017	31/12/2016
Bank and postal accounts	563	873
Cash-in-hand and cash equivalents	7	5
Total	570	878

The change in liquid funds is detailed in the cash flow statement. For the purposes of better disclosure, the presentation of cash flows from cash pooling has been modified compared to the previous year.

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 2017, the company had not issued any dividend-right shares, bonds convertible into shares or other financial instruments offering holders equity or participation rights.

SHARE CAPITAL

At 31 December 2017, the fully subscribed and paid-up share capital consist of 125 million ordinary shares with a nominal amount 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 3 May 2017. The extraordinary reserve increased by €49,118 thousand and decreased by €50,000 thousand, after the shareholders’ resolution taken during their ordinary meeting of 3 May 2017 for the distribution of dividends for €50,000 thousand (of which €30,000 thousand paid on 5 May 2017 and €20,000 thousand on 13 October 2017).

Changes to hedging reserves at 31 December 2017 are as follows:

	31/12/2016	Taken to the profit and loss account	Recognised in net equity	31/12/2017
- Cash flow hedges	(2,138)	483	348	(2,520)
- Tax effect	513	(115)	(84)	605
Total	(1,625)	368	264	(1,915)

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 (€8,237 thousand at 31 December 2017).

The provision for deferred tax liabilities totalling €816 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 2014 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 fair value loss on interest rate swaps (IRS) commented on later.

Mediobanca loan: a notional amount of €100,000 thousand, agreed on 4 September 2014, renegotiated on 12 January 2017 and expiring on 31 July 2022. The loan provides for the quarterly payment/collection of the difference between the 3-month Euribor and the fixed rate of 0.557%. The fair value loss on this transaction at 31 December 2017 is approximately €1,913 thousand, reflected in the financial statements under the hedging reserve, with a balancing entry in liabilities under caption B) 3 "Derivatives", as the 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 the same date and expiring on 27 October 2020. The loan provides for the quarterly payment/collection of the difference between the three-month Euribor and the fixed rate of -

0.02%. The fair value loss on this transaction at 31 December 2017 is approximately €106 thousand, reflected in the financial statements under the hedging reserve, as the hedge effectiveness requirements were met with respect to the underlying.

Unicredit loan: a notional amount of €75,000 thousand, agreed on 6 April 2017, starting from 12 May 2017 and expiring on 12 May 2021. The loan provides for the quarterly payment/collection of the difference between the three-month Euribor and the fixed rate of 0.145%. The fair value loss on this transaction at 31 December 2017 is approximately €362 thousand, reflected in the financial statements under the hedging reserve, as the hedge effectiveness requirements were met with respect to the underlying.

BNP Paribas loan: a notional amount of €75,000 thousand, agreed on 10 February 2017, starting from 11 April 2017 and expiring on 11 April 2021. The loan provides for the quarterly payment/collection of the difference between the three-month Euribor and the fixed rate of 0.035%. The fair value loss on this transaction at 31 December 2017 is approximately €139 thousand, reflected in the financial statements under the hedging reserve, as the hedge effectiveness requirements were met with respect to the underlying.

This caption also includes the fair value loss of approximately €91 thousand at 31 December 2017 on an interest rate swap with BNP Paribas for a notional amount of €40,000 thousand, agreed on 22 December 2017, starting from 22 January 2018 and expiring on 22 January 2025. The swap provides for the quarterly payment/collection of the difference between the 6-month Euribor and the fixed rate of 0.448% and was agreed to hedge the loan of the same amount signed on 22 December 2017 but paid out on 22 January 2018.

EMPLOYEES' LEAVING ENTITLEMENT

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

Balance at 31/12/2016	74
Accrual for the year	86
Utilisation for entitlements and advances paid, payment to the INPS fund and supplementary pension funds	(88)
Balance at 31/12/2017	72

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

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, 2016 and 2017, the sole shareholder (original subscriber of the total amount of the bonds) transferred the entire amount of the bonds to the parent IS.Co S.r.l. (2015: €20 million; 2016: €50 million and 2017: €30 million). Accordingly, at 31 December 2017, the parent IS.CO S.r.l. holds 100% of the bonds, recognised under “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 €330 million, described in the relevant note, 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 on 30 June 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 31/12/2017	Balance at 31/12/2016
Loans	-	329,721	-	329,721	-179,896
Committed revolving credit facilities		0		0	0
Total	-	329,721	-	329,721	179,896

(in thousands of Euros)

The caption includes loans totalling €330 million, of which €50 million due in 2020, €180 million in 2021 and the remaining €100 million in 2022. 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 on an annual basis. They were complied with at 31 December 2017. Interest accrues at market rates on all loans.

Interest risk hedges have been agreed on some of these loans, as analysed in greater detail in these notes. 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 €320 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 the loan received from the subsidiary Coesia Finance S.p.A. (€90,000 thousand) due in 2037 with an early repayment option, including in multiple instalments.

Tax payables

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

	31/12/2017	31/12/2016
Withholdings on employee, freelances and consultant remuneration	372	505
Total	372	505

The years from 2013 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 €95 thousand.

Other payables

This caption mainly includes payables for employee remuneration of €325 thousand at year end.

ACCRUED EXPENSES AND DEFERRED INCOME

This caption mainly includes accrued interest expense of €3,000 thousand on bonds and of €531 thousand on the bank loans and borrowings 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).

	31/12/2017	**31/12/2016**
- Sureties in favour of subsidiaries	16,852	21,063
- Sureties in favour of third parties	2,713	3,032
Total	**19,565**	**24,095**

PROFIT AND LOSS ACCOUNT

PRODUCTION REVENUES

This caption mainly relates to revenues from subsidiaries for services provided (€4,078 thousand) and costs to be recharged (€2,945 thousand). Such transactions performed on an arm's length basis totalling €7,023 thousand are detailed in "Annex V".

PRODUCTION COST

This caption is mainly comprised of service costs totalling €9,657 thousand (2016: €11,436 thousand), principally relating to directors' fees (€1,819 thousand), internal audit, management and coordination and strategic development activities (€2,141 thousand), consultancy services (€2,096 thousand), employee travel expenses (€286 thousand), statutory auditors' fees (€110 thousand) and entertainment (€36 thousand). It also includes costs of €2,945 thousand to be recharged to the group companies. "Annex V" also lists the costs incurred for services provided by the subsidiaries.

Personnel expenses

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

	2017	2016
Wages and salaries	1,348	3,281
Social security contributions	316	409
Employees' leaving entitlement	86	106
Other	16	23
Total	1,766	3,819

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

	31/12/2017	31/12/2016	Average
Managers	6	7	6
White collars	4	5	4
Total	10	12	10

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. (€70,000 thousand), Group Service S.r.l. (€440 thousand) and HAPA AG (€3,675 thousand). It also includes income related to the liquidation of Group Service S.r.l. (€56 thousand).

OTHER FINANCIAL INCOME

This caption mainly includes the accrued return on the whole-life insurance policies (€582 thousand) and interest income on the loan granted to the subsidiary R.A Jones & Co. (€2,344 thousand).

INTEREST AND OTHER FINANCIAL CHARGES

This caption includes interest expense on bonds of €7,508 thousand and bank interest expense and charges on loans and credit facilities of €3,951 thousand. It also includes interest expense on loans from the subsidiaries G.D S.p.A. (€763 thousand) and Coesia Finance S.p.A. (€2,447 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.

INCOME TAXES

This caption is comprised of income of €3,033 thousand arising from the adoption of the national tax consolidation scheme described earlier on and deferred tax income of €2,629 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

On 16 January 2018, the subsidiary G.D. S.p.A. acquired 30% of Errelle S.r.l., a company active in the automation and industrial assembly sector.

On 1 January 2018, the subsidiary Flexlink AB acquired the entire share capital of SSS-Fördertechnik AG, a Swiss company active in the development, production, distribution and installation of transport and automation components and systems.

ALLOCATION OF THE NET PROFIT FOR 2017

The financial statements as at and for the year ended 31 December 2017, which we submit for your approval, show a net profit of €53,042,423.37, net of provisions for all charges relating to the year. We propose that the net profit be allocated as follows:

- €2,652,121.17 to the legal reserve
- and €50,390,302.20 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 2017 (Annex I);
- ♦ Statement of changes in financial fixed assets for the year ended 31 December 2017 (Annex II);
- ♦ Statement of changes in net equity for the years ended 31 December 2017, 2016 and 2015 (Annex III);
- ♦ List of investments in subsidiaries at 31 December 2017 as per article 2427.5 of the Italian Civil Code (Annex IV);
- ♦ Summary of related party transactions at 31 December 2017 (Annex V);
- ♦ Detail of net equity captions in accordance with article 2427-7bis of the Italian Civil Code at 31 December 2017 (Annex VI);

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

Bologna, 24 April 2018

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of Euros)

	Balance at 31 December 2016			Changes for the year			Balance at 31 December 2017		
	Historical cost	Accumulated amortisation	Carrying Amount	Increase	Decrease	Amortisation	Historical cost	Accumulated amortisation	Carrying Amount
Intangible fixed assets:									
Concessions, licences, trademarks and similar rights	1,024	(715)	309	70		(145)	1,094	(860)	234
Deferred charges	9,406	(6,532)	2,874	577		(705)	9,983	(7,237)	2,746
Assets under development	-	-	-	-	-	-	-	-	-
Total intangible fixed assets	**10,430**	**(7,247)**	**3,183**	**647**	**-**	**(850)**	**11,077**	**(8,097)**	**2,980**

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

AT 31 DECEMBER 2017

(in thousands of Euros)

	Balance at 31 December 2016				Changes for the year			Balance at 31 December 2017			
	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
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	7,700			64,368	(48,062)		16,306
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	0	0		0
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	20,000			20,120			20,120
4S Engineering S.p.A.	16			16	96			112			112
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			29,571
Total investments in subsidiaries	**754,961**	**(49,426)**	**1,378**	**706,913**	**27,196**	**0**	**571**	**782,157**	**(48,855)**	**1,378**	**734,680**

	Balance at 31 December 2016				Changes for the year			Balance at 31 December 2017			
	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
Associates measured at cost:											
XPack S.r.l.					2,574			2,574			2,574
Total investments in associates	**0**	**0**	**0**	**0**	**2,574**	**0**	**0**	**2,574**	**0**	**0**	**2,574**

STATEMENT OF CHANGES IN NET EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

(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 2015	125,000	9,300	0	0	67,093	3,300	0	0	(1,185)	22,924	226,432
Shareholders' resolution at the ordinary meeting of 21 April 2016											
allocation of net profit:											
- legal reserve		1,146								(1,146)	
- extraordinary reserve					16,843					(16,843)	
- distribution of dividends					(50,000)						(50,000)
- unavailable income-related reserves						4,935				(4,935)	
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
Shareholders' resolution at the ordinary meeting of 02 April 2017											
allocation of net profit:											
- legal reserve		2,587								(2,587)	0
- extraordinary reserve					49,118					(49,118)	0
- distribution of dividends					(50,000)						(50,000)
- Euro rounding											0
- unavailable income-related reserves						23				(23)	0
Hedging reserve									(290)		(290)
Net profit for 2017										53,042	53,042
Balance at 31 December 2017	125,000	13,033	0	0	33,054	8,258	0	0	(1,915)	53,042	230,472

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AT 31 DECEMBER 2017 (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	633,924	633,924	112,454	112,454	726,194	214,726		511,468
ACMA S.p.A.	100.00%	Bologna	€9,300 thousand	9,142	9,142	576	576	16,335	16,306		29
CIMA S.p.A.	100.00%	Villanova (Bologna)	€4,810 thousand	24,810	24,810	1,744	1,744	26,144	22,000		4,144
GDM S.p.A.	100.00%	Bologna	€1,500 thousand	34,040	34,040	4,603	4,603	39,134	6,330		32,804
VOLPAK S.A.	100.00%	Barcelona (Spain)	€9,900 thousand	38,151	38,151	5,385	5,385	33,657	14,706		18,951
LAETUS MEXICO	100.00%	Mexico City (Mexico)	MXN322,500	1,197	1,197	397	397	1,177	3		1,174
HAPA AG	100.00%	Volketswill (Switzerland)	CHF1,000,000	8,358	8,358	1,927	1,927	11,004	16,316		(5,312)
Norden Machinery AB	100.00%	Stockholm (Sweden)	SEK112,000	33,168	33,168	3,262	3,262	42,950	35,813		7,137
GD Teknik Hizmetler ve Ticaret Ltd	0.01%	Izmir (Turkey)	TRY500,000	(1,461)	(0)	(3,970)	(0)	0	0		0
COESIA FINANCE S.p.A. (formerly A & C)	100.00%	Bologna	€120 thousand	23,280	23,280	2,742	2,742	23,280	20,120		3,160
4S Engineering S.p.A.	100.00%	Bologna	€20 thousand	51	51	(124)	(124)	51	112		(61)
FlexLink Holding AB	100.00%	Gothenburg (Sweden)	SEK3,285,000	191,359	191,359	21,157	21,157	186,717	153,358		33,359
Coesia India Private Limited	4.70%	Pune (India)	INR521,291	2,656	125	840	39	125	370		(245)
R.A JONES & CO	100.00%	Davenport (USA)	USD10	214,419	214,419	10,317	10,317	187,941	166,394		21,547
IPI S.r.l.	100.00%	Perugia	€13,000 thousand	13,727	13,727	(4,900)	(4,900)	36,556	38,555		(1,999)
EMMECI S.p.A.	100.00%	Cerreto Guidi (Florence)	€4,000 thousand	12,269	12,269	2,310	2,310	35,896	29,571		6,325
TOTAL SUBSIDIARIES				1,239,090	1238.020	158,720	161,889	1,367,161	734,680	0	632,481

SUMMARY OF RELATED PARTY TRANSACTIONS
AT 31 DECEMBER 2017
(in thousands of Euros)

	BALANCE SHEET					PROFIT AND LOSS ACCOUNT					
	CASH POOLING RECEIVABLE	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.		3,886		100,000							
TOT. PARENT	**0**	**3,886**	**0**	**100,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Subsidiaries											
G.D S.p.A.		576		132		1,053	47	763	70,000	1,737	
ACMA S.p.A.		79								741	
CIMA S.p.A.		28								50	
GDM S.p.A.		(35)								145	
VOLPAK SA		103		5		16				409	
HAPA AG		292							3,675	186	
R.A JONES & CO USA		38,418		1		1				581	2,344
FLEXLINK AB		1,116		31		31				1,839	
SIRIUS - China		22				2				28	
IPI S.r.l.		13								125	
COESIA FINANCE S.p.A.	36,155	0		90,636				2447		8	
NORDEN MACHINERY AB		34								347	
COESIA INDIA PRIVATE LIMITED		35								34	
GF S.p.A.		19								28	
CITUS KALIX		40								121	
ADMV S.A		(44)									
SACMO SA		(108)								19	
EMMECI S.p.A.		25								54	
4S ENGINEERING										2	
Group Services S.r.l. in liquidation									440	3	
Coesia Korea										2	
R.A JONES & CO - United Kingdom		3								6	
G.D Industrie S.r.l. in liquidation										2	
Nova Prefabbricati S.r.l.										2	
GD Turkey		22								22	
Lesina Autonoleggio S.r.l.				1		2				3	
SASIB S.p.A.		40								79	
MAST				3							
Co.me.sca S.r.l.		3								14	
GD SINGAPORE		5								5	
Flexlink Systems PTE LTD - Singapore		138		16						250	
Flexlink Systems S.p.A.		1		113		287					
Flexlink Systems GmbH		5				13				5	
Flexlik NV - Belgium				66		263					
EMMECI EUROPE SARL		1								1	
EMMECI USA										1	
NORDEN UK		1								1	
NORDEN GmbH										1	
Molins S.r.o.		9								9	
MPRD LIMITED		42								42	
MOLINS DO BRASIL										3	
MGS MACHINERY		5								5	
CERULEAN SHANGHAI		1								1	
CERULEAN GmbH		0									
FRANSSONS		1								1	
GD MOSCOW		6								6	
GD INDONESIA		14								14	
GD AFRICA		4								3	
GD CHINA										4	
GD GmbH										8	
GD EMIRATES		6								6	
GD TOKYO		22								22	
GD UK		1								1	
GD USA		37								23	
G.D Do Brasil		93								24	
TOTAL SUBSIDIARIES	**36,155**	**41,073**	**0**	**91,004**	**0**	**1,668**	**47**	**3,210**	**74,115**	**7,023**	**2,344**
Associates											
XPACK		463									5
TOTAL ASSOCIATES	**0**	**463**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5**

Annex VI

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

AT 31 DECEMBER 2017 (thousands of Euros)

NATURE	AMOUNT	POSSIBILITY OF USE	PORTION AVAILABLE FOR DISTRIBUTION	PORTION TAXABLE ON DISTRIBUTION
SHARE CAPITAL	125,000	B		0
Equity-related reserves:				
Reserve for own shares				
Reserve for shares or quotas of the parent				
Share premium reserve				
Reserve for conversion of bonds				
Capital injection for future capital increase				
Income-related reserves:				
Legal reserve	13,033	B		0
Reserve for own shares				
Unavailable income-related reserve	8,258			
Hedging reserve	(1,915)			
Translation reserve				
Extraordinary reserve	33,054	A, B, C	33,054	0
Reserve as per waiver under article 2423.4				
Retained earnings (losses carried forward)				0
TOTAL	177,430		**33,054**	
distributable portion			**33,054**	**0**

Key:

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