(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 2018

(with independent auditors' report thereon)

KPMG S.p.A.

18 April 2019

KPMG S.p.A.
Revisione e organizzazione contabile
Via Innocenzo Malvasia, 6
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(Translation from the Italian original which remains the definitive version)

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

To the shareholders of
Coesia S.p.A.

Report on the 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 2018, 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 2018 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 the company 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 company's directors and board of statutory auditors ("Collegio Sindacale") 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, in accordance with 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 company's directors are responsible for the preparation of a directors' report at 31 December 2018 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 2018 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 company's financial statements at 31 December 2018 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, 18 April 2019

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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2018 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 2018, 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, disposable hygiene products and consumer goods segments, tobacco processing and fume quality control and chemical test plant, 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 January 2018, through its subsidiary FlexLink AB, the Coesia Group acquired the entire share capital of SSS-Fördertechnik AG (renamed FlexLink Switzerland GmbH), a

Swiss company active in the development, production, distribution and installation of factory handling and automation components and systems.

On 30 September 2018, the group (through the special purpose vehicle AZ Coesia GmbH which changed its name to Atlantic Zeiser GmbH in January 2019) acquired the digital printing business of Atlantic Zeiser GmbH (specifically, digital printing applications for the Fast Moving Consumer Goods segment), and with that, the majority investment (51%) in Tritron GmbH, also active in the digital printing business, specifically the production of ink for digital printing, from the German company Orell Füssli GmbH. These acquisitions are an important step for the Coesia Group to strengthen its presence in the digital printing solutions market, focusing on both in-line and near-line printing, through its existing partnership with Hapa, a member of Coesia's leading subsidiaries in digital printing systems for the pharma sector.

On 1 October 2018, the group (through the subsidiary G.D S.p.A.) acquired 70% of Comas S.p.A.'s shares from its founding families. Such company has its registered office in Silea (Treviso) and a branch in Brazil. With 2018 turnover of €219 million, EBITDA of approximately €57 million and approximately 300 employees, Comas S.p.A. is a leader in the production of machinery and assembly lines for processing tobacco in the primary segment. Over the past 30 years it has become a point of reference for cigarette producers, by developing a new type of machinery for the primary processing dedicated to tobacco reduced risk products, and consequently becoming a leader in this sector, which is the future of the tobacco market. Thanks to this acquisition and its existing market position as the parent of Sasib, Molins and Cerulean, G.D S.p.A. will be able to provide all-round solutions to customers in the tobacco industry, with regard to both traditional and new generation products. Reciprocal options for acquiring and selling the remaining 30% of the company's shares were included in the acquisition agreement and can be exercised under the conditions and timeframes agreed therein.

The subsidiary G.D S.p.A. also acquired 30% of Errelle S.r.l.'s quotas in 2018. Such company has its registered office in Sala Bolognese (Bologna) and operates in the automation and industrial assembly sector.

On 28 December 2018, Coesia also sold the subsidiary Sacmo SA, a company focused on rebuilding and retrofitting packaging machinery and integrating full production lines, with particular experience in the cosmetics industry. With this transaction, Coesia reconfirms its focus on the active management of its portfolio and strategic allocation of its capital.

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.:

<u>ADVANCED AUTOMATED MACHINERY & MATERIALS (AAM&M)</u>

- 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, 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), which 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) G.F. 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 and Singapore carry out distribution and after-sales activities, while its Czech subsidiary carries out production activities; (iv) Comas S.p.A. (owned at 70%), with registered office in Silea (Treviso), is active in the design, development and production of machinery and assembly lines for the processing of tobacco in the primary segment, with reference to both traditional and new generation products. Comas S.p.A. also owns a company that carries out production and sales activities in Brazil;

- ACMA S.p.A., with registered office in Bologna, produces automatic machines for the packaging of consumer goods, with particular reference to the food (chocolate, candy, tea) and personal care (soap, detergents) sectors;
- GDM S.p.A., with registered office in Offanengo (CR), is active in the field of automated disposable hygiene products 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;
- CITUS KALIX SAS, with registered office in Courcouronnes (France), is part of the Norden Group and produces 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 packaging machinery for the food segment and for the consumer goods manufacturing in general. R.A Jones directly controls MGS Machine Corporation, based in Minneapolis (Minnesota), which is active in the supply of automated packaging machinery and automated solutions for the pharmaceutical and life science, food, personal care and cosmetics segments;
- IPI S.r.l., with its registered office in Perugia, produces aseptic filler machines, package opening and closing systems and multi-layer packaging material using a combination of polyethylene, paper and aluminium sheets. IPI has two production sites in the Perugia area.

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

- FLEXLINK AB, a Swedish group with its registered office in Gothenburg (Sweden), operates in the design, construction and sale of logistics and high-end production automation solutions. FlexLink AB is the parent company of ADMV SAS, a company with its registered office in Cremieu (France), which provides automation solutions together with feeders, elevators, depalletizers and palletizers.
- HAPA AG, with its registered office in Zurich (Switzerland), is active in the in-line printing solutions for the pharmaceutical industry;
- EMMECI S.p.A., with its registered office in Cerreto Guidi (Florence), designs, produces and distributes automated machinery for the production of premium and luxury goods packaging;
- AZ COESIA GmbH (ATLANTIC ZEISER GmbH since January 2019), active in the digital printing business, both through the design, production and distribution of technological equipment and solutions and, through its subsidiary TRITRON GmbH, the production and distribution of special ink.

OTHER

- CIMA S.p.A., with its 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

2018 saw a slight slowdown in global growth in the emerging, developing and advanced economies.

In 2018, US GDP rose 2.9% (+2.2% in 2017), Eurozone GDP rose 1.8% (+2.4% in 2017). In Germany, it grew 1.5% (+2.5% in 2017), whereas in Japan, it increased 0.9% (+1.9% in 2017). In the main emerging and developing economies, economic growth rates remained positive in China and India. Chinese GDP grew 6.6%, compared to 6.9% in 2017, while India's GDP increased 7.3%, compared to 6.7% in 2017.

According to the International Monetary Fund's most recent estimates, the expected growth of the global economy for 2019 and 2020 should be around 3.5% and 3.6% pa, respectively, which is worse than previous forecasts. The revised estimates mainly reflect the slowdown in the global economy's growth in the second half of 2018 and the weakening of financial market forecasts.

The main risks that may affect these forecasts are the possible escalation of commercial tensions and a further weakening of financial market forecasts.

The growth of the Eurozone in 2019 should be 1.6%, slightly down on 2018 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 1.1% growth rate predicted for 2019.

In the emerging and developing economies, growth in the next two years is expected to slightly decrease to 4.5% in 2019 compared to 4.6% in 2018, and then rise to 4.9% in 2020.

Markets

The results achieved by the group companies in their respective markets in 2018 were better overall than in 2017 despite the growing but still uncertain macroeconomic situation.

Advanced Automated Machinery & Materials (AAM&M)

Volumes and financial performance increased significantly in 2018, despite the complex market conditions.

With respect to the tobacco industry, the conventional products market remained stable with a slightly decreasing trend. However, the focus on both special products (specifically, filters and packets) and production line flexibility is crucial in order to cut costs. The strong fluctuation of the new generation products market, which recorded a deceleration in 2018, led to an ebb in investments in machinery for this product type. Specifically, in Japan (the first market where many of these new products were launched), the Philip Morris International's IQOS and British American Tobacco's GLO fell significantly. However, the multinationals continue to vigorously research new products and develop existing new generation products. China is also starting to act on new generation products and is seeking out collaborations (joint manufacturing) for the development of new heat-not-burn products. Additional markets with high potential for new generation products are the US, Indonesia and the Middle East. Specifically, a decision has been pending for some time now from the FDA in relation to new generation products which will certainly have a decisive impact on market trends. The group also boosted its market position through the acquisition of the controlling investment in Comas S.p.A., a leader in the group's primary segment (tobacco processing) which is expected to bring benefits by creating opportunities for supplying complete primary and secondary plant. In general, the production streamlining process by multinationals continues with the distribution of existing production assets. All of the multinationals' main investments in conventional products/cigarettes chiefly involve moving and refitting machinery, thus cutting back on acquiring new plant, in a market focused on reducing costs. Opportunities for improvements to the current machinery supply may arise, as well as for the transformation of existing machinery to make it compliant with the increasingly stringent anti-smoking regulations. There is still significant demand for special packet solutions for conventional cigarettes from multinationals, while some medium/small-sized manufacturers have begun to adopt machinery to produce sealed packets.

The consumer goods machinery and materials business performed well with sustained growth in both the organic component and MGS, which became part of Coesia in September 2017. The acquisition of MGS enabled the group to strengthen its presence in North America, where Coesia has been a point of reference in the market for years. Europe remains a solid, stable market where investments in the 4.0 industry aim to boost the production efficiency of facilities. The growth trend in consumer goods is also sustained in emerging and developing countries due to their demographic growth and increased purchasing power.

2018 was marked by significant investments in research and development in the consumer goods machinery and material business to meet the demands of a market in rapid, constant evolution. Focus was placed on the ability to provide products that are sustainable and competitive from a cost cutting point of view as well as boasting high technological content. The companies' technological innovation, supported by the Coesia Engineering Center, the heart of the group's top-range research and development, is still the key to continuing to work closely with customers, understanding their current and future needs and supporting an ongoing development in sales.

Industrial Process Solutions (IPS)

All businesses of the IPS segment recorded a rise in sales volumes in 2018. This increase was supported by the expansion of the digital offer for most solutions proposed. There were also two new acquisitions in the IPS operating segment to bolster the products offered in the consumer goods sector.

The geographical areas that made the greatest contribution in terms of boosting sales for the IPS segment were the traditional reference markets, i.e., North America and Europe. Both areas recorded growth in the segment's main industrial sectors. The situation in emerging and developing countries is different however. Sales slackened in Asia due to a deceleration in investments by reference operators, while Latin America enjoyed a strong increase on the previous year thanks to some significant projects in the consumer goods market.

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, specific market risks for the subsidiary G.D. include the performance of new generation products and the new stricter laws being introduced in the US, the European Union and non-EU countries that may have an additional negative impact on cigarette consumption and the demand for new machinery. In addition, increasing regulations are being introduced for conventional products (cigarettes) with a drop in the demand for conventional machinery and growing price pressure with an effect on the company's profitability. These risks are potentially mitigated by the opportunities to transform existing machinery in order to reduce production costs and the supply of innovative products.

At 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 10.1% of its revenue in research, development and engineering. In this context, employees' expertise is of strategic importance, especially in technical areas. The group continually invests heavily in training, 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 2018, the parent and the main Italian group companies rolled out a project to update their risk assessment structure defined as per Legislative decree no. 231/2001 in relation to environmental crimes and safeguarding intellectual property. Furthermore, again in 2018, some of the recently-acquired Italian group companies acted to comply with Legislative decree no. 231/2001 aimed at adopting the organisational, management and control model covering the above-mentioned crimes, in addition to occupational safety, private-to-private corruption and undue inducement to give or promise benefits.

Performance

The company recorded a net profit for the year of €69.2 million (€53.0 million for 2017), which mainly includes dividends received from subsidiaries of €79.7 million (including €70 million from G.D S.p.A. and €9.7 million from FlexLink Holding AB) compared to €74.1 million in 2017, exchange rate gains of €2.1 million compared to losses of €5 million in 2017 and lower accruals to/utilisations of provisions totalling €5.7 million.

Trends in financial income and charges are shown in the cash flow statement. The net financial debt at 31 December 2018 amounts to €502.9 million, compared to €510.9 million at 31 December 2017 (including securities, the fair value of derivatives, investments in closed-end funds, financial receivables/payables from/to subsidiaries and bonds). The net financial debt includes loans and borrowings totalling €430 million, including €50 million due in 2020, €192.5 million due in 2021, €125 million due in 2022, €25 million due in 2023, €25 million due in 2024 and €12.5 million due in 2025. Loans increased on the previous year due to two new loans totalling €100 million taken out in the first half of 2018 to be repaid from 2021 to 2025. Furthermore, the company issued bond of €100 million which mature on 1 October 2021. The bond subscribed by the parent (principal of €100 million) were repaid on 3 July 2018.

The decrease in the net financial debt is mainly due to the effect of dividends received from subsidiaries net of those distributed to the parent, partially reduced by investing activities of the year in addition to ordinary costs and the negative fair value of derivatives.

Gross interest and other financial charges of €13.6 million are down on the previous year end (€14.7 million) despite the net financial debt remaining more or less in line, due to the improved interest rates following the renegotiation of certain loans and borrowings during the year and the repayment of bond to the parent.

Presentation of the consolidated financial statements

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

Italian Civil Code, and a for more complete disclosure, it has prepared consolidated financial statements as at and for the year ended 31 December 2018 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.

<u>Research and development activities</u>

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

<u>Related party transactions</u>

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 2018 consolidated financial statements:

- G.D S.p.A.'s turnover increased to €744.1 million in 2018 from €668.4 million in 2017. Its 2018 operating profit amounted to €158.5 million (€154.8 million in 2017), 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 2018 after the growth already recorded in 2017. Though down on 2018, the outlook for 2019 remains positive despite an uncertain market situation due to the slowdown in new generation products pending the introduction of new regulations and legislation;

- A.C.M.A. S.p.A. recorded turnover of €93.6 million, a significant improvement from €63.1 million in 2017, and an operating profit of €8.8 million, up from an operating loss of €0.2 million in 2017. The improvement is mainly due to the larger turnover and more efficient processes and highly-profitable projects. These positive results are expected to continue in 2019;
- GDM S.p.A.'s 2018 turnover decreased slightly to €67.0 million from €75.7 million in 2017. Its operating profit was affected by the decrease in turnover and dropped marginally to €6.8 million in 2018 compared to €7.4 million in 2017, however still showing a positive profit margin. The investments made in previous years are expected to lead to an increase in turnover in 2019 thanks to the diversification of the product portfolio;
- VOLPAK SA closed 2018 with turnover of €47.9 million, slightly lower than the 2017 figure (€50.9 million). Operating profit decreased from €6 million in 2017 to €1.8 million in 2018 due to the lower turnover and effect of the different product mix. The recovery commenced in 2017 is expected to be reinforced in 2019;
- CIMA S.p.A. performed better in 2018 than in 2017. The company's 2018 turnover is up on the previous year (from €29.1 million to €30.7 million) and its operating profit grew from €2.5 million in 2017 to €2.8 million in 2018. 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 2019;
- Hapa AG's 2018 consolidated turnover increased to €50.7 million from €46.7 million in 2017, but its operating profit fell to €1.6 million from €2.8 million in 2017. The

worsening in 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 2019, also in light of the expected integration with Atlantic Zeiser;

- the Norden Group, which also includes Citus Kalix Sas, recorded turnover more or less in line with the previous year, which went from €124.2 million in 2017 to €121.9 million in 2018, also due to the unfavourable exchange rate trends during the year. Its operating profit increased to €10.4 million from €7.8 million in 2017, a net improvement on the previous year. The growth forecasts for 2019 are supported by the group's backlog;
- the FlexLink Group ended 2018 with consolidated turnover of €250.9 million (€248.9 million in 2017) and an operating profit of €22.9 million (€30.3 million in 2017). The 2018 turnover is in line with the previous year, while the decrease in the operating profit is chiefly due to the increase in overheads caused by resizing in light of the expected growth in the workforce in the coming years. Furthermore, the company has already implemented cost control actions and improvements in production and logistic processes;
- R.A Jones & Co.'s 2018 turnover was €125.2 million (€110.1 million in 2017) and its operating profit amounted to €19.1 million (€17.1 million in 2017). The rise in turnover was particularly generated by the company's focus on after-sales activities. 2019 results are expected to be in line with 2018;
- MGS Corp. (acquired in 2017) recorded turnover of €25.9 million and operating profit of €3.1 million in 2018, its first year fully operational within the Coesia Group. Following its positive results in 2018, further growth is expected in 2019;
- the Emmeci Group ended 2018 with turnover of €36.5 million and operating profit of

€9.4 million, confirming the good results recorded in 2017. It is expected to further strengthen its results in 2019;

- the IPI Group's 2018 turnover amounted to €41.7 million (€45.8 million in 2017) and its operating loss amounted to €1.6 million (€4.1 million in 2016). The drop in the operating loss is mainly due to the improvements in production efficiency which are expected to continue in 2019 and, together with a recovery of sales volumes, could lead to an operating profit.

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".

<u>Number and nominal value of own shares or shares of parents</u>

The company does not hold any own shares.

<u>Management and coordination</u>

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

<u>Outlook</u>

Positive forecasts should be confirmed for the Coesia Group in 2019 considering the trends in negotiations underway with customers, incoming orders expected during the year and the contribution of new acquisitions. Expectations for the Advanced Automated Machinery & Materials operating segment are an increase in the main financial results, maintaining profitability thanks to the product mix, the expansion of the sales coverage and efficiency programmes for processes with risks deriving from the normal volatile nature of the business against an uncertain macroeconomic backdrop. The new acquisitions will also contribute to developing business in existing sectors and sectors the group has recently entered into.

The Industrial Process Solutions segment is expected to improve on its 2018 results. There will be a specific focus on financial aspects and improving profit margins for new digital machinery and for large projects in 2019, also thanks to projects specifically dedicated to such issues. In addition, the new acquisitions will contribute to the expansion of the referenced market with a rise in digital printing solutions on the consumer goods and pharma market.

Bologna, 18 April 2019

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 2018

(figures shown in Euros)

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BALANCE SHEET	**31/12/2018**	**31/12/2017**
ASSETS		
(A) Share capital proceeds		
to be received	0	0
(B) Fixed assets		
I - Intangible fixed assets:		
4) Concessions, licences, trademarks and similar rights	188,886	233,830
6) Assets under development and payments on account	0	0
7) Other	1,888,803	2,746,101
Total	2,077,689	2,979,931
II - Tangible fixed assets	0	0
III - Financial fixed assets		
1) Equity investments:		
a) subsidiaries	741,940,903	734,679,562
b) associates	2,596,611	2,573,996
Total	744,537,514	737,253,558
2) Financial receivables		
d) from others		
- due within one year		2,706,856
- due after one year	1,524,255	21,200
Total	1,524,255	2,728,056
3) Other securities		
- due after one year	3,392,169	1,888,883
Total	3,392,169	1,888,883
Total financial fixed assets	749,453,938	741,870,497
Total fixed assets	751,531,627	744,850,428
(C) Current assets		
I - Inventory	0	0
II - Receivables		
1) Trade receivables:	1,435	2,034

2) From subsidiaries:		
- due within one year	3,776,364	40,927,318
3) From associates		
- due after one year	1,456,345	463,328
4) From the parent	2,313,066	3,886,295
5) From subsidiaries of parents	0	146,162
5-bis) Tax receivables	515,844	461,155
5-ter) Deferred tax assets	4,336,418	2,902,892
5) From others	325,084	44,130
Total	12,724,556	48,833,314
III - Current financial assets		
6) Other securities	39,074,697	38,581,771
7) Financial assets from cash pooling arrangements	79,875,754	36,155,259
Total	118,950,451	74,737,030
IV - Liquid funds		
1) Bank and postal accounts	1,029,437	563,306
3) Cash-in-hand and cash equivalents	4,614	7,000
Total	1,034,051	570,306
Total current assets	132,709,058	124,140,650
(D) Prepayments and accrued income	4,564,678	90,636
TOTAL ASSETS	888,805,363	869,081,714
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	15,685,598	13,033,477
V - Statutory reserves	0	0
VI - Other reserves		
1) Extraordinary reserve	38,873,257	33,053,300
2) Translation reserve	2,828,105	8,257,759
3) Euro rounding reserve	1	0
Total	41,701,363	41,311,059
VII - Hedging reserves	(7,232,079)	(1,915,099)
VIII - Retained earnings/(losses carried forward)	0	0
IX - Net profit for the year	69,198,059	53,042,424
X - Reserve for own shares	0	0
Total net equity	244,352,941	230,471,861
(B) Provisions for risks and charges		
2) Tax provision, including deferred tax liabilities	99,828	816,338
3) Derivatives	9,524,819	2,611,080
4) Other provisions	7,357,000	8,687,000

Total provisions for risks and charges	16,981,647	12,114,418
(C) Employees' leaving entitlement	67,555	72,502
(D) Payables		
1) Bonds:		
- due after one year	100,000,000	100,000,000
Total	100,000,000	100,000,000
3) Shareholder loans:		
- due within one year	0	100,000,000
Total	0	100,000,000
4) Bank loans and borrowings		
- due within one year	0	0
- due after one year	429,723,796	329,720,674
Total	429,723,796	329,720,674
7) Trade payables	2,181,890	1,353,034
9) Payables to subsidiaries		
- due within one year	1,938,456	985,240
- due after one year	90,000,000	90,000,000
Total	91,938,456	90,985,240
10) Payables to associates	0	0
11) Payables to the parent	0	0
11-bis) Payables to subsidiaries of parents	2,083	19,036
12) Tax payables	618,597	371,992
13) Social security charges payable	143,735	94,537
14) Other payables	503,110	347,894
Total payables	625,111,667	622,892,407
(E) Accrued expenses and deferred income	2,291,553	3,530,526
TOTAL LIABILITIES	888,805,363	869,081,714

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PROFIT AND LOSS ACCOUNT	**2018**	**2017**
(A) Production revenues		
5) Other revenues and income	9,365,230	7,420,680
Total production revenues	9,365,230	7,420,680
(B) Production cost		
6) Raw materials	15,056	20,271
7) Services	8,408,177	9,657,459
8) Use of third party assets	155,929	177,613
9) Personnel expenses:		
a) wages and salaries	2,119,854	1,348,487
b) social security contributions	488,628	315,594
c) employees' leaving entitlement	125,702	85,648

e) other costs	11,373	15,567
Total	2,745,557	1,765,296
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	652,049	849,691
13) Other provisions	0	4,617,000
14) Other operating costs	80,391	313,049
Total production cost	12,057,159	17,400,379
Operating loss	(2,691,929)	(9,979,699)
(C) Financial income and charges		
15) Income from investments:		
in subsidiaries		
a) dividends	79,666,879	74,115,457
b) gains on sale	7	55,677
Total	79,666,886	74,171,134
16) Other financial income:		
d) other income		
- other	635,828	585,340
- interest from subsidiaries	2,170,955	2,343,554
- interest from associates	15,632	5,234
Total	2,822,415	2,934,128
17) Interest and other financial charges:		
- interest to subsidiaries	(2,521,318)	(3,209,903)
- other	(11,063,526)	(11,459,425)
- losses on sale	(945,196)	0
Total	(14,530,040)	(14,669,328)
17-bis) Net exchange rate gains (losses)	2,093,563	(4,984,797)
Net financial income	70,052,824	57,451,137
(D) Adjustments to financial assets		
18) Write-backs		
d) derivatives	0	0
19) Write-downs		
d) derivatives	(8,925)	(91,212)
Total adjustments to financial assets	(8,925)	(91,212)
Pre-tax profit	67,351,970	47,380,226
20) Income taxes,		
current and deferred	470,989	2,629,123
- income due to participation in the		
national tax consolidation scheme	1,375,100	3,033,075
Total	1,846,089	5,662,198
21) Net profit for the year	69,198,059	53,042,424

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CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(in Euros)

	2018	2017
A. Cash flows from operating activities (indirect method)		
Net profit for the year	**69,198,059**	**53,042,424**
Income tax expense	(1,846,089)	(5,662,198)
Net interest expense	10,762,429	11,735,200
Dividends collected	(79,666,886)	(74,115,457)
Net losses (gains) on disposals of tangible, intangible and financial fixed assets	945,196	(55,677)
1. Net loss for the year before income taxes, interest, dividends and gains/losses on sale of assets	**(607,291)**	**(15,055,708)**
Adjustments for non-monetary items that did not affect net working capital		
Accruals to provisions for risks	0	4,617,000
Accruals to employees' leaving entitlement	125,702	85,648
Amortisation and depreciation	652,049	849,691
Fair value losses on derivatives	6,913,739	501,950
Fair value gains recognised in the hedging reserve	(5,316,980)	(290,256)
2. Cash flows before changes in net working capital	***1,767,219***	***(9,291,675)***
Changes in net working capital		
Increase/(decrease) in trade payables	828,856	(318,449)
Increase in prepayments and accrued income	(4,474,042)	(44,591)
Increase/(decrease) in accrued expenses and deferred income	(1,238,973)	60,372
Other changes in net working capital	(932,937)	730,364
3. Cash flows after changes in net working capital	***(4,049,877)***	***(8,863,979)***
Other adjustments		
Net interest paid	(10,864,939)	(11,373,417)
Income taxes paid	3,861,761	4,123,272
Dividends collected	79,666,886	74,115,457
Utilisation of employees' leaving entitlement	(130,649)	(86,925)
Utilisation of provisions	(1,330,000)	0
Cash flows from operating activities (A)	***67,153,182***	***57,914,408***
B. Cash flows from investing activities		
Intangible fixed assets		
Investments	(20,596)	(647,391)
Proceeds from disposals	270,789	0
Financial fixed assets		
Investments	(8,787,242)	(32,229,474)
Proceeds from disposals	258,605	1,106,521
Current financial assets		
Investments	(492,926)	(5,468,907)
Financial assets from cash pooling arrangements		
Investments	(43,720,495)	(36,155,259)
Cash flows used in investing activities (B)	***(52,491,865)***	***(73,394,510)***
C. Cash flows from financing activities		
New loans	100,003,122	149,824,405
Repayment of loans	(100,000,000)	0
Increase (decrease) in loans and borrowings with subsidiaries	35,799,306	(4,314,840)
Cash pooling payables	0	(70,336,703)
Interim dividends paid	(50,000,000)	(60,000,000)
Cash flows from (used in) financing activities (C)	***(14,197,572)***	***15,172,862***
Increase (decrease) in liquid funds (A ± B ± C)	**463,745**	**(307,240)**
Opening liquid funds	570,306	877,546
Closing liquid funds	1,034,051	570,306

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, single-use hygiene products and consumer goods segments, tobacco processing and fume quality control and chemical test plant, 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.

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.

The financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis. Captions have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC. In addition, the same accounting policies were applied as in previous years for the purposes of materiality and comparability.

Accordingly:

- The company measures the individual assets and liabilities separately, in order to avoid offsetting profits on certain items against losses on other items. Specifically, the company recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date.
- The company recognised income and charges on an accruals basis regardless of their collection or settlement date. Accruals-based accounting affects the timing with which income and expense are taken to profit or loss in order to determine the net profit or loss for the year.
- The directors prepared the financial statements on a going concern basis.
- Identifying rights, obligations and conditions of transactions was based on their contractual terms and conditions and by comparing them with the accounting standards to check that the balance sheet and profit and loss account items were correctly recognised or derecognised.
- The accounting policies are the same as those applied in the previous year in order to measure the company’s results consistently over time. No exceptional events took place during the year, which would have led the company to depart from the accounting policies, as permitted by article 2423.5 of the Italian Civil Code, in order to

give a true and fair view of its financial position and results of operations. Moreover, the company did not make any revaluations under specific laws.

- The materiality of the individual items comprising financial statements captions was judged in the overall context of the financial statements. Both qualitative and quantitative elements were considered in quantifying materiality. 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. The accounting policies section describes how the company applied the accounting treatments required by the OIC based on the principle of materiality.
- 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.

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 2018, 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 2018.

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 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 tax expense

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.p.A.'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.	52
Other services	KPMG S.p.A.	Coesia S.p.A.	270
Other attestation services	KPMG S.p.A.	Coesia S.p.A.	12
Total Coesia S.p.A.			**334**
Audit	KPMG S.p.A.	Subsidiaries	347
Audit	KPMG network	Subsidiaries	922
Other attestation services	KPMG S.p.A.	Subsidiaries	28
Other attestation services	KPMG network	Subsidiaries	2
Tax services	KPMG network	Subsidiaries	10
Other services	KPMG S.p.A.	Subsidiaries	2
Other services	KPMG network	Subsidiaries	11
Total subsidiaries			**1,322**
Total			**1,656**

NOTES TO 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 €1,889 thousand refer to charges related to bonds, loans and borrowings described further on under bonds and bank loans and borrowings. These charges are amortised over the term of the related loans and refer to loans in place prior to 1 January 2016 and costs for renewing credit facilities also in place prior to 1 January 2016 not yet used. Moreover, the company capitalised costs of €17 thousand incurred to register the trademark and new software licence costs of €4 thousand.

FINANCIAL FIXED ASSETS

Investments in subsidiaries

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

	% of ownership at 31/12/2018	at 31/12/2018	at 31/12/2017
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	16,306
GDM S.p.A.	100%	6,330	6,330
VOLPAK S.A.	100%	14,706	14,706
GROUP SERVICE S.r.l.	100%	0	0
COESIA IPS CGM S de RL de CV	100%	3	3
HAPA AG	100%	16,316	16,316
GD TEKNIK HIZMETLER	0.005%	0	0
NORDEN MACHINERY AB	100%	35,813	35,813
COESIA FINANCE S.p.A.	100%	20,120	20,120
4S ENGINEERING S.r.l.	100%	112	112
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
AZ COESIA GmbH	100%	6,251	0
COESIA VENTURES S.r.l.	100%	1,010	0
TOTAL		**741,941**	**734,680**

The increases for the year refer to:

- The establishment of AZ COESIA GmbH (Atlantic Zeiser GmbH as of January 2019) on 8 May 2018. During the year, such company acquired the digital printing business of the German company Atlantic Zeiser GmbH, in addition to the majority investment (51%) in Tritron GmbH, also active in the digital printing business. The carrying amount of the investment is comprised of capital injections made during the year (€5,029 thousand) and charges directly related to the acquisition (€1,222 thousand). Reference should be made to the directors' report for further information on the transaction.
- The establishment Coesia Ventures S.r.l., a venture capital company, on 4 May 2018. The carrying amount of the investment is comprised of the quota capital (€10 thousand) and a capital injection for future capital increase (€1,000 thousand). The capital injection was made so that the subsidiary would have adequate capitalisation for its operations.

No investments were sold during the year.

The information about each subsidiary required by article 2427.1.5 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 2018 or draft financial statements at the same date, approved by the respective company bodies.

The difference between the carrying amount of the investments in Hapa AG, Coesia India Private Ltd., IPI S.r.l., AZ Coesia GmbH and the company's share of its net equity should not be considered an impairment loss considering the companies' forecast profits.

Had investments in direct and indirect subsidiaries been measured using the equity method, in application of the requirements of article 2426.1.4 of the Italian Civil Code, the net profit for the year and net equity at 31 December 2018 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

This caption includes the minority investment (49%) in XPack S.r.l., a company active in the design and production of innovative packaging machinery. The change on the previous year end is due to the recognition of the amortised cost on the loan granted to such company, as described later on. The difference between the carrying amount of the investment in XPack S.r.l. and the company's share of its net equity should not be considered an impairment loss considering the company's forecast profits.

Receivables from others

Financial fixed assets amount to €1,524 thousand at 31 December 2018 and include guarantee deposits (€11 thousand) and professional consultancies invoiced in 2018 (€1,513 thousand) related to the acquisition of 60% of System Ceramics S.p.A. (see the "Post-balance sheet events" paragraph) which will be reclassified to investments starting from next year. Furthermore, in 2018, the company collected €1,762 thousand related to the escrow account linked to the sale of the Laetus business in 2015 and which totalled €2,707 thousand at 31 December 2017. The uncollected difference of €945 thousand was allocated to the counterparty as a price adjustment.

Other securities

This caption refers to the company’s units in two closed-end funds investing in companies developing innovative technologies (venture capital companies). The increase in the caption compared to the previous year end is related to the cash contribution requested from the company in 2018. 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.

As these are long-term investments, they are classified under financial fixed assets and measured at cost.

CURRENT ASSETS

RECEIVABLES

From subsidiaries

This caption includes 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 the 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, was fully repaid by the subsidiary in 2018.

From associates

This caption includes a loan to the associate XPack S.r.l. (€1,456 thousand).

The five-year non-interest bearing loan was initially granted at a nominal amount of €500 thousand in 2017 and then increased by €1,000 thousand in 2018.

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

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 €2,313 thousand due from the consolidating entity IS.CO S.r.l..

Tax receivables

This caption includes a VAT receivable of €516 thousand.

Deferred tax assets

This caption refers to deferred taxes of €4,336 thousand, mainly related to the accruals to the non-deductible provisions and derivatives.

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 €1,627 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 €448 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 €79,876 thousand, in line with the total amount of cash provided by the company.

Liquid funds

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

	Balance at	
	31/12/2018	31/12/2017
Bank and postal accounts	1,029	563
Cash-in-hand and cash equivalents	5	7
Total	1,034	570

The change in liquidity is detailed in the annexed statement of cash flows.

PREPAYMENTS AND ACCRUED INCOME

This caption is primarily comprised of prepaid commitment fees of €4,499 thousand on the syndicated loan and credit facility granted in 2018, as described in the section on bank loans and borrowings. The prepayments related to the loan will be included in its measurement at amortised cost when the loan is actually paid out in 2019.

<u>NET EQUITY</u>

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 18/19 of the Italian Civil Code, at 31 December 2018, the company had not issued any dividend-right shares, bonds convertible into shares or other financial instruments offering holders equity or participation rights.

SHARE CAPITAL

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

RESERVES

The legal, extraordinary and unavailable income-related reserves increased due to the allocation of part of the net profit for 2017, as per the shareholders' resolution taken during their ordinary meeting of 24 April 2018. The extraordinary reserve increased by €50,390 thousand due to the allocation of the net profit for 2017 and decreased by €50,000 thousand, after the shareholders' resolution taken during their ordinary meeting of 24 April 2018 for the distribution of dividends for €50,000 thousand, fully paid on 2 November 2018. At the same meeting, the shareholders resolved to reclassify €5,430 thousand from the unavailable income-related reserve to the extraordinary reserve.

Changes to hedging reserves at 31 December 2018 are as follows:

	31/12/2017	<u>Taken to the profit and loss account</u>	Recognised in net equity	31/12/2018
- Cash flow hedges	(2,520)		(6,996)	(9,516)
- Tax effect	605		1,679	2,284
Total	(1,915)		(5,317)	(7,232)

PROVISIONS FOR RISKS AND CHARGES

This caption includes the provision for deferred tax liabilities and the accrual for the cost for long term incentives granted to the company's top management starting from 2016 (€7,357 thousand at 31 December 2018).

The provision for deferred tax liabilities totalling €100 thousand includes the accrual for the temporary deductible 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 in the section on bank loans and borrowings.

EMPLOYEES' LEAVING ENTITLEMENT

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

Balance at 31/12/2017	72
Accrual for the year	126
Utilisation for entitlements and advances paid, payment to the INPS fund and supplementary pension funds	(130)
Balance at 31/12/2018	68

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

On 2 July 2018, the company repaid the bond amounting to €100,000 thousand to its parent, IS.CO S.r.l., early. It is recognised under "Shareholder loans" at 31 December 2018.

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 31/12/2018	Balance at 31/12/2017
Loans	-	392,542	37,272	429,724	329,721
Committed revolving credit facilities	-	-	-	0	0
Total	-	392,542	37,272	429,724	329,721

(in thousands of Euros)

Bank loans totalling €430 million include Coesia S.p.A.'s loans, of which €50 million due in 2020, €192.5 million due in 2021, €125 million due in 2022, €25 million due in 2023, €25 million due in 2024 and €12.5 million due in 2025. Loans increased on the previous year end due to two new loans totalling €100 million taken out in the first half of 2018 to be repaid from 2021 to 2025.

The above-mentioned bank loan agreements require compliance with economic and financial covenants calculated on the Coesia Group's consolidated financial statements. Such covenants are checked by banks every year. They were complied with at 31 December 2018.

Interest accrues at market rates on all loans.

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

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

In addition, Coesia S.p.A. signed a syndicated loan with nine lending banks on 31 July 2018 for a total of €650 million (of which €500 million for the term credit facility and €150 million for the revolving credit facility) expiring on 31 July 2023 in order to financially support the inorganic growth of the Coesia Group. The loan had not be used at 31 December 2018. The term credit facility was paid out in January 2019 to support the acquisition of System Ceramics S.p.A., as detailed in the "Post-balance sheet events" paragraph.

The company had the following derivatives to hedge interest rate risk in place at 31 December 2018:

- a derivative to hedge interest rate risk related to a bullet loan of €100 million. With a notional amount of €100 million, the derivative was signed on 4 September 2014, renegotiated on 12 July 2017 and expires on 31 July 2022. Under such derivative, the company undertakes to pay/collect the differential between 3-month Euribor and the fixed rate of 0.557% on a quarterly basis. The market valuation of such transaction at 31 December 2018 showed a loss of approximately €2,341 thousand, which was recognised under "Provisions for risks and charges", with a balancing entry under the

"Hedging reserve";

- a derivative to hedge interest rate risk related to a loan agreed in 2016 and expiring in 2020. With a notional amount of €50 million, the derivative was signed on 27 October 2016 and expires on 27 October 2020. Under such derivative, the company undertakes to pay/collect the differential between 3-month Euribor and the four-year fixed rate of -0.02% on a quarterly basis. The market valuation of such transaction at 31 December 2018 showed a loss of approximately €241 thousand, which was recognised under "Provisions for risks and charges", with a balancing entry under the "Hedging reserve";
- a derivative to hedge interest rate risk related to a loan agreed in 2017 and expiring in 2021. With a notional amount of €75 million, the derivative was signed on 12 May 2017 and expires on 12 May 2021. Under such derivative, the company undertakes to pay/collect the differential between 3-month Euribor and the fixed rate of 0.145% on a quarterly basis. The market valuation of such transaction at 31 December 2018 showed a loss of approximately €662 thousand, which was recognised under "Provisions for risks and charges", with a balancing entry under the "Hedging reserve";
- a derivative to hedge interest rate risk related to a loan agreed in 2017 and expiring in 2021. With a notional amount of €75 million, the derivative was signed on 11 April 2017 and expires on 11 April 2021. Under such derivative, the company undertakes to pay/collect the differential between 3-month Euribor and the fixed rate of 0.035% on a quarterly basis. The market valuation of such transaction at 31 December 2018 showed a loss of approximately €485 thousand, which was recognised under "Provisions for risks and charges", with a balancing entry under the "Hedging reserve";
- a derivative to hedge interest rate risk agreed on 22 December 2017. With a notional amount of €40 million, the derivative starts from 22 January 2018 and expires on 22 January 2025. Under such derivative, the company undertakes to pay/collect the differential between 6-month Euribor and the fixed rate of 0.448% on a quarterly basis. It

was agreed to hedge the loan of the same amount signed on 22 December 2017 but paid out on 22 January 2018. The market valuation of such transaction at 31 December 2018 showed a loss of approximately €719 thousand, which was recognised under “Provisions for risks and charges”, with a balancing entry under the “Hedging reserve”;

- a derivative to hedge interest rate risk agreed on 19 January 2018. With a notional amount of €60 million, the derivative starts from 22 January 2018 and expires on 22 January 2025. Under such derivative, the company undertakes to pay/collect the differential between 3-month Euribor and the fixed rate of 0.463% on a quarterly basis. It was agreed to hedge the loan of the same amount paid out on 22 January 2018. The market valuation of such transaction at 31 December 2018 showed a loss of approximately €749 thousand, which was recognised under “Provisions for risks and charges”, with a balancing entry under the “Hedging reserve”;
- two speculative derivatives to hedge interest rate risk agreed on 1 August 2018. With a total notional amount of €375 million, the derivatives start from 29 March 2019 and expire on 31 July 2023. Under such derivatives, the company undertakes to pay/collect the differential between 3-month Euribor and the fixed rate of 0.3775% on a quarterly basis. They were agreed to hedge the term credit facility part of the syndicated loan signed on 31 July 2018 mentioned above. The market valuation of such transactions at 31 December 2018 showed a loss of approximately €4,320 thousand, which was recognised under “Provisions for risks and charges”, with a balancing entry under the “Hedging reserve”.

Trade payables

Trade payables amount to €2,182 thousand at 31 December 2018. The increase on the previous year end is related to the higher volume of services received in the last quarter of 2018.

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 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):

	31/12/2018	31/12/2017
Withholdings on employee, freelances and consultant remuneration	619	372
Total	619	372

The years from 2014 onward 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 €144 thousand.

Other payables

This caption mainly includes payables for employee remuneration of €484 thousand at year end.

ACCRUED EXPENSES AND DEFERRED INCOME

This caption mainly includes accrued interest expense on bonds and on the bank loans described above (€1,145 thousand), accrued commitment fees on the non-utilised credit facility (€722 thousand) and accrued expenses on interest rate hedges (€425 thousand).

GUARANTEES GIVEN

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

	31/12/2018	31/12/2017
- Sureties in favour of subsidiaries	3,385	16,852
- Sureties in favour of third parties	2,762	2,713
TOTAL	**6,147**	**19,565**

NOTES TO THE PROFIT AND LOSS ACCOUNT

PRODUCTION REVENUES

This caption mainly relates to revenues from subsidiaries for services provided (€5,239 thousand) and costs to be recharged (€2,957 thousand). Such transactions performed on an arm's length basis totalling €8,196 thousand are detailed in "Annex V".

PRODUCTION COST

This caption is mainly comprised of service costs totalling €8,408 thousand (2017: €9,657 thousand), principally relating to directors' fees (€1,824 thousand), internal audit, management and coordination and strategic development activities (€1,764 thousand), consultancy services (€1,149 thousand), employee travel expenses (€253 thousand), statutory auditors' fees (€110 thousand) and entertainment (€79 thousand). It also includes costs of €2,957 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):

	2018	2017
Wages and salaries	2,120	1,348
Social security contributions	489	316
Employees' leaving entitlement	126	86
Other	11	16
Total	2,746	1,766

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

	31/12/2018	31/12/2017	Average
Managers	7	6	7
White collars	4	4	4
Total	11	10	11

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) and FLEXLINK HOLDING AB (€9,667 thousand).

OTHER FINANCIAL INCOME

This caption mainly includes the accrued return on the whole-life insurance policies (€635 thousand), interest income on the loan granted to the subsidiary R.A Jones & Co. up to the repayment date (€2,165 thousand) and interest income on the loan granted to the associate XPack S.r.l. (€16 thousand).

INTEREST AND OTHER FINANCIAL CHARGES

This caption includes interest expense on bonds of €5,248 thousand and bank interest expense and charges on loans and credit facilities of €5,815 thousand. It also includes interest expense on loans from the subsidiary Coesia Finance S.p.A. (€2,520 thousand). The caption also includes the adjustment of the sale price of LAETUS GmbH (€945 thousand), as discussed earlier.

EXCHANGE RATE GAINS AND LOSSES

This caption mainly comprises exchange rate gains on the USD loan granted to the subsidiary R.A Jones & Co. which was repaid during the year, as discussed earlier.

INCOME TAXES

This caption is comprised of income of €1,375 thousand arising from the adoption of the national tax consolidation scheme described earlier on and deferred tax income of €471 thousand. The difference between the pre-tax profit and the 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 14 January 2019, the Coesia Group finalised the acquisition of 60% of System S.p.A.'s ceramics business which was transferred to a newco called System Ceramics S.p.A..

Reciprocal options for acquiring and selling the remaining 40% of the company's shares were included in the acquisition agreement and can be exercised within the timeframes agreed therein.

This transaction is an important strategic step for the Coesia Group. Through System Ceramics it will have the chance to enter into the segment of machinery for ceramics, a particularly dynamic and technologically advanced segment where System is an undisputed leader in innovation.

ALLOCATION OF THE NET PROFIT FOR 2018

The financial statements as at and for the year ended 31 December 2018, which we submit for your approval, show a net profit of €69,198,059.45, net of provisions for all charges relating to the year. We propose that the net profit be allocated as follows:

- €3,459,902.97 to the legal reserve
- and €65,738,156.48 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 2018 (Annex I);
- Statement of changes in financial fixed assets for the year ended 31 December 2018 (Annex II);
- Statement of changes in net equity for the years ended 31 December 2018, 2017 and 2016 (Annex III);
- List of investments in subsidiaries at 31 December 2018 as per article 2427.5 of the Italian Civil Code (Annex IV);
- Summary of related party transactions at 31 December 2018 (Annex V);
- Breakdown of net equity captions in accordance with article 2427-7-bis of the Italian Civil Code at 31 December 2018 (Annex VI).

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

Bologna, 18 April 2019

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli

(signed on the original)

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of Euros)

	Balance at 31 December 2017			Changes for the year			Balance at 31 December 2018		
	Historical cost	Accumulated amortisation	Carrying Amount	Increase	Decrease	Amortisation	Historical cost	Accumulated amortisation	Carrying Amount
Intangible fixed assets:									
Concessions, licences, trademarks and similar rights	1,094	(860)	234	20		(65)	1,114	(925)	189
Deferred charges	9,983	(7,237)	2,746		(271)	(587)	9,712	(7,824)	1,888
Assets under development	-	-	-	-	-	-	-	-	-
Total intangible fixed assets	**11,077**	**(8,097)**	**2,980**	**20**	**(271)**	**(652)**	**10,826**	**(8,749)**	**2,077**

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

AT 31 DECEMBER 2018

(in thousands of Euros)

	Balance at 31 December 2017				Changes for the year			Balance at 31 December 2018			
	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.	64,368	(48,062)		16,306				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
Volpak SA	14,706			14,706				14,706			14,706
Group Service S.r.l.	0			0	0		-	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)	20,120			20,120				20,120			20,120
4S Engineering S.p.A.	112			112				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
Coesia Ventures S.r.l.	0			0	1,010			1,010			1,010
AZ Coesia GmbH	0			0	6,251			6,251			6,251
Total investments in subsidiaries	**782,157**	**(48,855)**	**1,378**	**734,680**	**7,261**	**0**	**0**	**789,418**	**(48,855)**	**1,378**	**741,941**

	Balance at 31 December 2017				Changes for the year			Balance at 31 December 2018			
	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:											
XPack S.r.l.	2,574			2,574	23			2,597			2,597
Total investments in associates	**2,574**	**0**	**0**	**2,574**	**23**	**0**	**0**	**2,597**	**0**	**0**	**2,597**

STATEMENT OF CHANGES IN NET EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

(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 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						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
Shareholders' resolution at the ordinary meeting of 24 April 2018											
allocation of net profit:											
- legal reserve		2,652								(2,652)	0
- extraordinary reserve					50,390					(50,390)	0
- distribution of dividends					(50,000)						(50,000)
- Euro rounding					0						0
- unavailable income-related reserves											0
Hedging reserve									(5,317)		(5,317)
Reclassifications					5,430	(5,430)					0
Net profit for 2018										69,198	69,198
Balance at 31 December 2018	125,000	15,685	0	0	38,874	2,828	0	0	(7,232)	69,198	244,353

LIST OF INVESTMENTS IN SUBSIDIARIES

AT 31 DECEMBER 2018 (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	663,196	663,196	99,366	99,366	778,345	214,726		563,619
ACMA S.p.A.	100.00%	Bologna	€9,300 thousand	16,944	16,944	7,802	7,802	22,215	16,306		5,909
CIMA S.p.A.	100.00%	Villanova (Bologna)	€4,810 thousand	26,889	26,889	2,079	2,079	26,110	22,000		4,110
GDM S.p.A.	100.00%	Bologna	€1,500 thousand	39,579	39,579	5,540	5,540	45,372	6,330		39,042
VOLPAK S.A.	100.00%	Barcelona (Spain)	€9,900 thousand	38,546	38,546	1,452	1,452	35,676	14,706		20,970
COESIA IPS CGM S de RL de CV	100.00%	Mexico City (Mexico)	MXN322,500	1,376	1,376	137	137	1,376	3		1,373
HAPA AG	100.00%	Volketswill (Switzerland)	CHF1,000,000	9,894	9,894	1,053	1,053	12,540	16,316		(3,776)
Norden Machinery AB	100.00%	Stockholm (Sweden)	SEK112,000	40,049	40,049	6,772	6,772	42,747	35,813		6,934
GD Teknik Hizmetler ve Ticaret Ltd	0.01%	Izmir (Turkey)	TRY500,000	4,267	0	(8,992)	0	0	0		0
COESIA FINANCE S.p.A.	100.00%	Bologna	€120 thousand	26,663	26,663	3,383	3,383	26,663	20,120		6,543
4S Engineering S.r.l.	100.00%	Bologna	€20 thousand	46	46	(5)	(5)	51	112		(61)
FlexLink Holding AB	100.00%	Gothenburg (Sweden)	SEK3,285,000	191,963	191,963	17,500	17,500	181,734	153,358		28,376
Coesia India Private Limited	4.70%	Pune (India)	INR521,291	3,484	164	921	43	125	370		(245)
R.A JONES & CO	100.00%	Davenport (USA)	USD10	236,052	236,052	11,654	11,654	211,420	166,394		45,026
IPI S.r.l.	100.00%	Perugia	€13,000 thousand	11,378	11,378	(2,449)	(2,449)	34,962	38,555		(3,593)
EMMECI S.p.A.	100.00%	Cerreto Guidi (Florence)	€4,000 thousand	17,582	17,582	5,313	5,313	42,263	29,571		12,692
COESIA VENTURES S.r.l.	100.00%	Bologna	€10 thousand	1,026	1,026	16	16	1,026	1,010		16
AZ COESIA GmbH	100.00%	Emmingen (Germany)	€5,025 thousand	2,934	2,934	(2,091)	(2,091)	3,448	6,251		(2,803)
TOTAL SUBSIDIARIES				1,331,868	1,324,281	149,451	157,565	1,466,073	741,941	0	724,132

SUMMARY OF RELATED PARTY TRANSACTIONS
AT 31 DECEMBER 2018

(in thousands of Euros)

	BALANCE SHEET				PROFIT AND LOSS ACCOUNT				
	CASH POOLING RECEIVABLE	OTHER RECEIVABLES	PAYABLES	SERVICES	USE OF THIRD-PARTY ASSETS	FINANCIAL CHARGES	DIVIDENDS	OTHER REVENUES AND INCOME	FINANCIAL INCOME
Parent									
IS.CO S.r.l.		2,313							
TOT. PARENT	**0**	**2,313**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Subsidiaries									
G.D S.p.A.		1,670	509	1,403	33		70,000	2,815	
ACMA S.p.A.		258	12	12				847	
CIMA S.p.A.			6	6				39	
GDM S.p.A.		16	15					169	
VOLPAK SA		(60)						231	
HAPA AG		11						182	
R.A JONES & CO. INC		359	1					506	2165
FLEXLINK AB		673	24	2				1,702	
FLEXLINK HOLDING AB							9,667		
IPI S.r.l.		101	3	3				104	
Coesia Finance S.p.A.	79,876	169	90,635			2,521		174	6
NORDEN MACHINERY AB		47						244	
COESIA INDIA PRIVATE LTD		17						17	
G.F. S.p.A.		(16)	9	9				56	
COESIA IPS CGM MX		10						9	
CITUSKALIX SAS		(7)						81	
ADMV S.A		11						11	
SACMO SA								17	
EMMECI S.p.A.		6	1	1				52	
4S ENGINEERING S.r.l.								2	
COESIA VENTURES S.r.l.								44	
AZ COESIA GmbH		129						129	
Laetus GMBH			45	64					
R.A JONES & CO - United Kingdom		3						7	
Nova Prefabbricati S.r.l.								2	
Lesina Autonoleggio S.r.l.			2	4				3	
SASIB S.p.A.		(7)	4	4				52	
MAST S.r.l.			2	9					
Co.me.sca S.r.l.								12	
G.D MACH. S.EAST ASIA PTE LTD		1						1	
COMAS S.p.A.		28						23	
Flexlink Systems PTE LTD		47	26	13				264	
Flexlink Systems S.p.A.			104	302				10	
Flexlink System LLC		1						1	
Flexlink System KFT			109	109					
Flexlink Systems GmbH		10	302					10	
Flexlink Systems Nv			132	259					
Molins S.R.O.		2						2	
MPRD LIMITED		(8)						47	
MOLINS DO BRASIL LTDA								55	
MGS MACHINE CORPORATION		151						162	
G.D Poland Sp. z o.o.		2						2	
GD TEKNIK HIZMETLER VE TICARET LIMITED		31						9	
G.D Automatic Packaging Equipment CJSC								6	
PT G.D INDONESIA		66		29				52	
GD SOUTH AFRICA LTD		7						4	
G.D CHINA AUTOMATIC MACHINERY LTD		2						2	
GD TECHNICAL CENTER MIDDLE EAST		10						4	
G.D JIDOKIKAI KK		9						9	
GD USA		12						12	
G.D Do Brasil Ltda		14						14	
TOTAL SUBSIDIARIES	**79,876**	**3,775**	**91,941**	**2,229**	**33**	**2,521**	**79,667**	**8,196**	**2,171**
Associates									
XPack S.r.l.		1,456	0						16
TOTAL ASSOCIATES	**0**	**1,456**	**0**	**0**	**0**	**0**	**0**	**0**	**16**

Annex VI

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

AT 31 DECEMBER 2018 (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	15,686	B		0
Reserve for own shares				
Unavailable income-related reserve	2,828			
Hedging reserve	(7,232)			
Translation reserve				
Extraordinary reserve	38,873	A, B, C	38,873	0
Reserve as per waiver under article 2423.4				
Retained earnings (losses carried forward)				0
TOTAL	175,155		**38,873**	
distributable portion			**38,873**	**0**

Key:

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