



(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 2019**

(with independent auditors' report thereon)

KPMG S.p.A.

26 June 2020



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

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

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

*To the shareholders of
Coesia S.p.A.*

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Coesia S.p.A. (the "company"), which comprise the balance sheet as at 31 December 2019, 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 2019 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 2019 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 2019 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 2019 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, 26 June 2020

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

2019 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 2019, 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, 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, premium and luxury goods packaging machinery, and plant and machinery for ceramics, with innovative processes for decorating, packaging, logistics and quality control (Advanced Automated Machinery & Materials), (ii) manufacturing logistics, production automation and in-line printing solutions (Industrial Process Solutions) and (iii) gears on behalf of third parties (Precision Gears, "Other").

On 14 January 2019, the acquisition of 60% of System S.p.A.'s ceramics business was finalised. It was transferred to a newco called System Ceramics S.r.l. (subsequently transformed into System Ceramics S.p.A.), of which COESIA S.p.A. acquired 60% of the shares.

With turnover of €227 million in 2019 and approximately 1,200 employees, System Ceramics

S.p.A. is an international leader in creating, selling and providing assistance with processing and packaging systems for the high-end ceramics industry. The company's registered office is in Fiorano Modenese (Modena) and it has production units in Italy and China, in addition to an international network of approximately 20 branches.

Reciprocal options for acquiring and selling the remaining 40% of the company's shares were agreed between the heads of System and Coesia and included in the acquisition agreement. They can be exercised over the coming years, according to agreed timeframes starting from 2020.

This transaction is an important strategic step for the Coesia Group, to which System Ceramics offers 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.

Thanks to its global infrastructure and portfolio of technologies, the Coesia Group will be able to support the growth and technological leadership of System Ceramics, strengthening its competitive edge and geographical presence in new markets. System Ceramics S.p.A.'s ceramics business, on the other hand, is characterised by advanced electronics, software and digital skills, which may be a very valuable addition to the Coesia Group's business.

The transaction further reconfirms the trust and commitment of the Coesia Group in the industrial districts of Bologna and Modena, recognised as global centres of excellence in precision mechanics and industrial automation.

In 2019, the subsidiary G.D S.p.A. also acquired 30% of Pro SGM S.r.l. and Finotti S.r.l.'s quotas, with their registered offices in Valsamoggia (Bo) and Bentivoglio (Bo), respectively. These companies operate in the sectors of machinery design, automation, assembly and precision mechanical processing.

Starting from 31 December 2019, the position of CEO, formerly held by Mr. Angelos Papadimitriou, was assigned to the Chairman of the Board of Directors.

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

ADVANCED AUTOMATED MACHINERY & MATERIALS (AAM&M)

- G.D S.p.A., with its registered office in Bologna, is mainly active in the field of automated production, packing and packaging machinery for cigarettes and the tobacco industry in general. G.D S.p.A. controls a network of companies (in the USA, Brazil, Germany, United Kingdom, China, Japan, Singapore, Hong Kong, Indonesia, Russia, South Africa, South Korea, Turkey, Poland and the United Arab Emirates) that serve as its distribution and after-sales centres, as well as, in some cases, genuine production centres (in the USA, Brazil, Germany, Turkey and Indonesia); moreover, G.D S.p.A. wholly owns: (i) Sasib S.p.A., with its 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) GF S.p.A., with its 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 its 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., (70% owned by G.D S.p.A.), with its registered office in Silea (Treviso), 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 its registered office in Bologna, manufactures automated machinery for the packing of consumer goods, with particular references to the food (chocolate, candies, tea, coffee) and personal care (soap, detergents) segments;
- GDM S.p.A., with its registered office in Offanengo (CR), is active in the field of automated single-use hygiene product production and packing machinery;
- VOLPAK S.A., with its registered office in Barcelona (Spain), is active in the automated packaging machinery segment.
- NORDEN AB, with its 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 its registered office in Courcouronnes (France), is part of the Norden Group and operates in the tube and lipstick packaging and filling machines for the cosmetics industry, in addition to packing lines.
- R.A. JONES & CO. INC., based in Covington (Kentucky) in the United States, produces automated packing machinery for the food segment and for consumer goods manufacturing in general. It directly controls MGS Machine Corporation, based in Minneapolis (Minnesota), which produces automated cardboard packaging machinery and industrial automation solutions for the pharmaceutical, cosmetic, food and personal care 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;
- 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. The company has been included in the Advanced Automated Machinery & Materials (AAM&M) sector since 2019; it was previously included in the IPS segment;
- SYSTEM CERAMICS S.p.A., with its registered office in Fiorano Modenese (MO), is an international leader in the development of production processes for the ceramics industry,

which guarantees high industrial standards with regards to pressing, decorating, selection lines and quality control, in addition to providing advanced packing, palletising and handling solutions.

INDUSTRIAL PROCESS SOLUTIONS (IPS)

- 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 controls ADMV SA, based in Crémieu (France), which produces industrial automation solutions including transformers, elevators, depalletizers and palletisers;
- HAPA AG, with its registered office in Zurich (Switzerland), is active in supplying in-line printing solutions for the pharmaceutical industry.
- AZ COESIA GmbH (ATLANTIC ZEISER GmbH since January 2019) is active in the digital printing business, via the design, production and distribution of technological equipment and solutions and, through its subsidiary TRITRON GmbH, the production and distribution of special inks.

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

2019 saw a slight slowdown in global growth in the emerging, developing and advanced economies.

Based on the figures shared by the International Monetary Fund, in 2019, US GDP rose 2.3% (+2.9% in 2018) and Eurozone GDP rose 1.2% (+1.9% in 2018). In Germany, it grew 0.6% (+1.5% in 2018), whereas in Japan, it increased 0.7% (+0.3% in 2018). In the main emerging and developing economies, economic growth rates remained positive in China and India. China's

GDP grew 6.1%, compared to 6.6% in 2018, while India's GDP increased 4.2%, compared to 6.8% in 2018.

According to the International Monetary Fund's estimates from April 2020, which reflect the expected impact of the Coronavirus pandemic (COVID-19), the global economy is projected to contract sharply by 3.0% in 2020, after which the global economy is expected to grow by 5.8% in 2021. Growth rates in the Eurozone are expected to contract by 7.5%, in the US by 5.9% and in Japan by 5.2%, followed by growth in 2021 of 4.7% in the Eurozone and the US and of 3.0% in Japan.

Emerging and developing economies are expected to contract by 1.0% in 2020, returning to growth of 6.6% in 2021, although China and India are expected to grow by 1.2% and 1.9%, respectively, in 2020, increasing to 9.2% and 7.4%, respectively, in 2021.

These estimates assume that: (i) the pandemic will fade in the second half of 2020, (ii) containment measures can be gradually unwound and (iii) economic activity will normalise, helped by active support policies from governments and institutions. The main uncertainties regard the effective development of the pandemic, the intensity and effectiveness of current and future containment efforts and the consequent impact on economic activities of the more severe global financial market conditions, raw materials price volatility, confidence levels, changes in consumer habits and global behaviour, in addition to the stability of global political and social scenarios, also related to national and international institutions' ability to adequately respond to the effects of the pandemic.

Markets

The results achieved by the group companies in their respective markets in 2019 were better overall than in 2018 in terms of turnover and net profit, despite the slowdown of global economic growth rates and the increased uncertainty of the macroeconomic situation.

Advanced Automated Machinery & Materials (AAM&M)

Volumes increased in 2019, thanks to the acquisitions of the System and Comas groups (the latter was only consolidated for the last quarter in 2018), while operating results decreased compared to the previous year due to complex market conditions.

With regard to the tobacco industry, the market shows strong changes related in particular to the considerable fluctuations in New Generation Products (NGP). The growth of these products on the global market slowed throughout 2019 and resulted in a very significant decline in investments in machinery for this product type. Multinationals are continuing to support active research into new solutions, such as the development and evolution of existing NGPs, albeit without having defined a clear strategy yet. This uncertainty is mainly due to the pending regulation of NGPs by the US Food and Drug Administration (FDA) and by many other countries, such as China, the leading global cigarette manufacturer. This uncertainty is also compounded by the geopolitical crisis in the Middle East, which is affecting investments in large parts of the area. Meanwhile, the production streamlining process continues, particularly by the multinationals, by redistributing production assets and concentrating conventional cigarette production in a smaller number of factories. In this context, multinationals are focusing particularly on cost cutting policies.

There may be opportunities for the supply of machinery especially in South East Asia and in the Middle East, in addition to the supply of improvements to the current machinery, as well as for the transformation of existing machinery to make it compliant with the increasingly stringent anti-smoking regulations.

The Consumer Goods Machinery and Materials (CGM&M) business performed slightly worse than the previous year. The sector is witnessing a transformation in market trends, increasingly directed towards an eco-friendly economy, which outlines a need for technological transformation, meaning that customers evaluate new investments based on this criteria.

For the Coesia Group and, in particular, the CGM&M business, 2019 was characterised by the “SFI”, *Sustainable Forestry Initiative*® contract acquired by ACMA S.p.A., but which also involves other Coesia group companies. The project offers the chance to get established in the coffee market and become a key supplier for a market leader. The contract provides for the supply of full production lines to set up a new fully-automatic factory for the customer, therefore entailing the highest technological innovation, which, in 2019, resulted in important investments by ACMA S.p.A. in research and development with the support of the Coesia Engineering Center (CEC). For years, the Coesia Engineering Center has been the heart of the group’s top-range research and development, and it is still the key to continuing to work closely with customers, understanding their current and future needs and supporting an ongoing development in sales. Europe remains a stable market, albeit with emerging challenges deriving especially from increasing investments in the 4.0 industry aimed at boosting the production efficiency of facilities. The growth trend in consumer goods is also seen in emerging and developing countries due to their demographic growth and increased purchasing power.

Lastly, the ceramics business, which became part of the group in January 2019, contributed significantly to the results of the year, in terms of both volumes and operating results. This transaction, carried out through an acquisition, was an important strategic step, offering Coesia the chance to enter into the segment of machinery for ceramics, a particularly dynamic and technologically advanced segment where System Ceramics is an undisputed leader in innovation.

Industrial Process Solutions (IPS)

The IPS business recorded a slight rise in sales volumes and operating results in 2019 (considering the transfer of the Emmeci Group to the AAM&M segment following the reorganisation aimed at improving the synergies within the group).

This increase was achieved thanks to the new solutions which expand the range offered as part of the digital printing market. In this segment, the two new acquisitions from 2018, Atlantic Zeiser GmbH and Titron GmbH, were integrated into the pre-existing business in order to leverage the synergies and create an offer structure capable of proposing solutions to the market that cater for customers' different industries. In this context, investment opportunities are being implemented 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 in emerging markets were South East Asia and the African market. The traditional reference markets recorded great results in North America, while the performance in Europe remained stable. A slowdown was seen in Latin America which had benefited from strong investments by customers in the previous year.

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, market risks for the subsidiary G.D. S.p.A. related to the new stricter laws being introduced by the FDA in the US, with the possible introduction of limitations, such as on the use of flavourings, as well as in the European Union and non-EU countries, that may have an additional negative impact on cigarette consumption and the demand for machinery.

These risks are compounded by those related to the increased focus on cost cutting and productive consolidation resulting in a drop in the demand for conventional machinery and growing price pressure with an effect on the company's profitability.

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

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

As noted, COESIA's and its subsidiaries' market is characterised by demand for highly technological and innovative solutions and, accordingly, the group invests around 9.0% of its revenue in research, development and engineering. In this context, employees' expertise is of strategic importance, especially in technical areas. The group invests heavily and constantly in training, 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 2019, the parent and the main Italian group companies completed a project to update the organisational, management and control model as per Legislative decree no. 231/01, with the inclusion of environmental crimes and safeguarding intellectual property. Furthermore, again in 2019, some of the recently-acquired Italian group companies complied 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 €37.0 million (€69.2 million for 2018). This net profit mainly includes: (i) the operating profit, down by approximately €8 million, due to costs incurred for M&A activities of €4.6 million and increased operating costs of €3.4 million; (ii)

dividends received of €70 million, compared to €79.7 million in 2018; (iii) higher net financial charges, related to both the increase in debt with third parties and the repayment of the loan granted to the subsidiary RA JONES at the end of 2018, of €7.6 million; (iv) net exchange rate gains or losses amounting to zero, compared to net gains of €2.1 million in 2018 related to the loan to the subsidiary RA JONES which was then repaid; and (v) the write-down of the investment and the loan granted to the associate XPACK S.r.l. for €9.1 million.

Trends in financial income and charges are shown in the cash flow statement. The net financial debt at 31 December 2019 amounts to €853.3 million, compared to €502.9 million at 31 December 2018 (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 €927 million, including €50.4 million due in 2020, €192.5 million due in 2021, €124.9 million due in 2022, €25 million due in 2023, €25 million due in 2024, €12.5 million due in 2025 and €496.8 million due in 2026. The increase compared to the previous year is due to a new loan for a nominal amount of €500 million (term credit facility) issued in January 2019 to support the group's recent acquisitions and due in 2026.

Furthermore, the company issued bonds of €100 million which mature on 1 October 2021.

The increase in the net financial debt is mainly due to fewer dividends received during the year, the negative fair value of derivatives, increased net financial charges and higher M&A costs, in addition to investments in subsidiaries, specifically the acquisition of 60% of System S.p.A.'s ceramics business.

As a percentage of loans and borrowings, gross interest and other financial charges of €19.3 million are down on the previous year end (€13.6 million) due to the improved interest rates following the renegotiation of certain loans during the year and the term credit facility taken out at a rate lower than the average of 2018.

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 2019 pursuant to Legislative decree no. 127/91. The consolidated financial statements will be filed together with these financial statements. Since 2015, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure as per article 6 of Regulation EC no. 1606/2002 of the European Parliament and Council of 19 July 2002 and pursuant to article 9 of Legislative decree no. 38/05.

Research and development activities

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

Related party transactions

A detailed list of all transactions with group companies, carried out on an arm’s length basis, is included in the notes to the 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 2019 consolidated financial statements. It should be noted that the comments related to forecasts for 2020 do not consider the effects related to the coronavirus, which cannot currently be quantified.

- G.D S.p.A.’s turnover decreased to €680.6 million in 2019 from €744.1 million in 2018. Its 2019 operating profit came to €103.9 million (€158.5 million in 2018), net of R&D costs which were approximately 5% of turnover. The downturn in operating profit is mainly due to lower sales volumes and a different mix of products sold, as forecast at the end of 2018, following a slowdown of investments in new generation products by the main customers. The outlook for 2020 remains nevertheless 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 €113.6 million in 2019, a significant improvement from €93.6 million in 2018, and an operating profit of €2.4 million, down from €8.8 million in 2018. The improvement of turnover is mainly due to the “SFI” *Sustainable Forestry Initiative*® contract, which offers the chance to get established in the coffee market and become a key supplier for a market leader, while the decrease in operating profit is due to the different mix of products sold. 2020 results are expected to be in line with 2019;
- GDM S.p.A.’s 2019 turnover decreased significantly to €43.0 million from €67.0 million in 2018 due to the postponement of investments by the main customers caused by the uncertainty of the reference market. The decrease in operating profit to €0.7 million, down from €6.8 million in 2018, is directly connected to the significant decrease in turnover. Volumes, which were affected by a postponement of investments in 2019, are expected to increase in 2020;
- VOLPAK SA closed 2019 with turnover of €48.1 million, in line with the 2018 figure (€47.9 million). Operating profit decreased from €1.8 million in 2018 to €0.7 million in 2019 due to the different product mix. Performance is expected to improve in 2020 compared to 2019 thanks to the consolidation of new product lines;
- CIMA S.p.A.’s 2019 performance was in line with 2018. The company’s 2019 turnover is largely unchanged compared to the previous year (from €30.7 million to €29.8 million), as did its operating profit which came to €2.6 million in 2019, compared to €2.8 million in 2018. The company’s good 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;
- Hapa AG’s 2019 turnover remained stable (€50.3 million from €50.7 million in 2018), but its operating profit improved (€2.0 million in 2019, net of extraordinary income, compared to €1.6 million in 2018). The increase in operating profit is mainly due to the introduction of new products and the consolidation of the integration with Atlantic Zeiser;

- The Norden Group, which also includes Citus Kalix Sas, recorded turnover of €99.2 million (slightly up on 2018). Its operating profit increased to €12.3 million from €10.4 million in 2018, once again improving on the previous year. The increase in operating profit is thanks to focusing on more profitable projects in 2019. Performance in 2020 is expected to be in line with 2019;
- The Flexlink Group ended 2019 with consolidated turnover of €240.5 million (€250.9 million in 2018) and an operating profit of €20.1 million (€22.9 million in 2018). The 2019 turnover is slightly down on the previous year and the decrease in the operating profit is chiefly due to the decrease in turnover and the mix of projects. Furthermore, the group has already implemented cost control actions and improvements in production and logistic processes for 2020;
- R.A Jones & Co.'s 2019 turnover was €102.5 million (€125.1 million in 2018) and its operating profit amounted to €8.6 million (€19.7 million in 2018). The decrease in turnover due to the market slowdown negatively impacted the operating profit. In 2020, volumes and profits are both expected to recover;
- MGS Machine Corp.'s 2019 revenues were €32.8 million (€25.9 million in 2018) and its operating profit amounted to €3.6 million (€3.1 million in 2018). 2020 results are expected to be in line with 2019;
- The Emmeci Group ended 2019 with turnover of €26.1 million (€36.5 million in 2018) and an operating profit of €5.3 million (€9.4 million in 2018), confirming the good results, albeit slightly down compared to 2018 due to the slowdown of the market which had previously seen a particularly positive cycle. Sales volumes are expected to recover in 2020;
- The IPI Group's 2019 turnover came to €43.3 million (€41.7 million in 2018) and its operating loss amounted to €1.3 million (€1.6 million in 2018). The drop in the operating loss is mainly due to the slight recovery of sales volumes. Turnover is expected to increase in 2020 and the group is expected to recognise an operating profit;

- The Atlantic Zeiser Group ended 2019 (the first full year as part of the Coesia Group) with turnover of €37.9 million and an operating profit of €2.1 million, confirming the positive trend seen towards the end of 2018;
- The System Group, acquired at the beginning of the year, ended 2019 with turnover of €232.0 million and operating profit of €20.6 million. Sales volumes are expected to increase in 2020.

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

Number and nominal value of own shares or shares of parents

The company does not hold nor did it hold own shares or shares of its parent during the year.

Management and coordination

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

Outlook

Positive forecasts should be confirmed for the Coesia Group in 2020 considering the trends in negotiations underway with customers, incoming orders expected during the year and the contribution of new acquisitions, even though the spread of the Coronavirus could lead to worse results than expected in the budget due to the postponement of orders and deliveries to the following year and costs related to production and logistical inefficiencies. Budget expectations for the Advanced Automated Machinery & Materials operating segment show 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.

Based on budget, the Industrial Process Solutions business is expected to improve compared to 2019, particularly with regard to logistics and industrial production solutions. The very positive outlook of this segment on the American market, together with the effort to focus on the production units, confirms the forecast improvement in terms of volumes and profitability. With regard to digital printing, the projects aimed at increasing the profitability of the new machinery which already had a positive impact in 2019 are expected to continue.

Bologna, 26 June 2020

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli

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

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

Tax code and Bologna company registration no. 02221441203 - REA no. 421928

*** **

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(figures shown in Euros)

*** **

BALANCE SHEET	31/12/2019	31/12/2018
ASSETS		
(A) Share capital proceeds		
to be received	0	0
(B) Fixed assets		
I - Intangible fixed assets:		
4) Concessions, licences, trademarks and similar rights	158,043	188,886
7) Other	1,356,142	1,888,803
Total intangible fixed assets	1,514,185	2,077,689
II - Tangible fixed assets		
2) Plant and machinery	14,022	0
4) Other assets	69,193	0
Total tangible fixed assets	83,215	0
III - Financial fixed assets		
1) Equity investments:		
a) subsidiaries	1,068,507,159	741,940,903
b) associates	0	2,596,611
d-bis) other companies	1,000	0

Total	1,068,508,159	744,537,514
2) Financial receivables		
d-bis) from others		
- due within one year		
- due after one year	50,500	1,524,255
Total	50,500	1,524,255
3) Other Securities		
- due after one year	5,207,260	3,392,169
Total	5,207,260	3,392,169
Total financial fixed assets	1,073,765,919	749,453,938
Total fixed assets (B)	1,075,363,320	751,531,627
(C) Current assets		
I - Inventory	0	0
II - Receivables		
1) Trade receivables	0	1,435
2) From subsidiaries		
- due within one year	5,578,884	3,776,364
3) From associates		
- due after one year	0	1,456,345
4) From the parent	7,351,510	2,313,066
5) From subsidiaries of parents	0	0
5-bis) Tax receivables	2,266,804	515,844
5-ter) Deferred tax assets	4,054,722	4,336,418
5) From others	280,511	325,084
Total receivables	19,532,431	12,724,556

III - Current financial assets		
6) Other securities	39,627,202	39,074,697
7) Financial assets from cash pooling arrangements	234,918,771	79,875,754
Total	<u>274,545,973</u>	<u>118,950,451</u>
IV - Liquid funds		
1) Bank and postal accounts	1,398,731	1,029,437
3) Cash-in-hand and cash equivalents	4,154	4,614
Total	<u>1,402,885</u>	<u>1,034,051</u>
Total current assets (C)	<u>295,481,289</u>	<u>132,709,058</u>
(D) Prepayments and accrued income	<u>760,603</u>	<u>4,564,678</u>
TOTAL ASSETS	<u>1,371,605,212</u>	<u>888,805,363</u>
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	19,145,501	15,685,598
V - Statutory reserves	0	0
VI - Other reserves		
1) Extraordinary reserve	57,342,523	38,873,257
2) Translation reserve	96,994	2,828,105
3) Euro rounding reserve	4	1
Total	57,439,522	41,701,363
VII - Hedging reserves	(12,360,213)	(7,232,079)
VIII - Retained earnings/(losses carried forward)	0	0

IX - Net profit for the year	36,993,581	69,198,059
X - Reserve for own shares	0	0
Total equity	226,218,390	244,352,941
(B) Provisions for risks and charges		
2) Tax provision, including deferred tax liabilities	62,066	99,828
3) Derivatives	16,263,438	9,524,819
4) Other provisions	2,543,000	7,357,000
Total provisions for risks and charges	18,868,504	16,981,647
(C) Employees' leaving entitlement		
	148,127	67,555
(D) Payables		
1) Bonds:		
- due after one year	100,000,000	100,000,000
Total	100,000,000	100,000,000
4) Bank loans and borrowings		
- due within one year	49,978,044	0
- due after one year	876,604,857	429,723,796
Total	926,582,901	429,723,796
7) Trade payables	1,545,760	2,181,890
9) Payables to subsidiaries		
- due within one year	2,585,298	1,938,456
- due after one year	90,000,000	90,000,000
Total	92,585,298	91,938,456
11-bis) Payables to subsidiaries of parents	2,083	2,083
12) Tax payables	1,163,366	618,597

13) Social security charges payable	217,124	143,735
14) Other payables	2,650,567	503,110
Total payables	1,124,747,099	625,111,667
(E) Accrued expenses and deferred income	1,623,092	2,291,553
TOTAL LIABILITIES	1,371,605,212	888,805,363

*** **

PROFIT AND LOSS ACCOUNT	2019	2018
(A) Production revenues		
5) Other revenues and income	22,400,120	9,365,230
Total production revenues	22,400,120	9,365,230
(B) Production cost		
6) Raw materials	22,735	15,056
7) Services	26,646,064	8,408,177
8) Use of third party assets	366,405	155,929
9) Personnel expenses:		
a) wages and salaries	4,121,979	2,119,854
b) social security contributions	1,047,658	488,628
c) employees' leaving entitlement	210,631	125,702
e) other costs	16,898	11,373
Total	5,397,166	2,745,557
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	574,444	652,049
b) depreciation of tangible fixed assets	5,155	0
Total amortisation, depreciation and write-downs	579,599	652,049
14) Other operating costs	49,058	80,391

Total production cost	33,061,027	12,057,159
Operating loss	(10,660,907)	(2,691,929)
(C) Financial income and charges		
15) Income from investments:		
in subsidiaries		
a) dividends	70,000,000	79,666,879
b) gains on sale	0	7
Total	70,000,000	79,666,886
16) Other financial income:		
d) other income		
- other financial income	729,987	635,828
- interest from subsidiaries	10,709	2,170,955
- interest from associates	29,946	15,632
Total	770,642	2,822,415
17) Interest and other financial charges:		
- interest from subsidiaries	(2,520,000)	(2,521,318)
- other	(16,823,467)	(11,063,526)
- losses on sale	0	(945,196)
Total	(19,343,467)	(14,530,040)
17-bis) Net exchange rate gains (losses)	(15,770)	2,093,563
Net financial income	51,411,405	70,052,824
(D) Adjustments to financial assets		
19) Write-downs		
a) investments	(4,628,595)	0
d) current financial assets	(4,454,307)	0

d) derivatives	0	(8,925)
Total adjustments to financial assets	(9,082,902)	(8,925)
Pre-tax profit	31,667,596	67,351,970
20) Income taxes,		
current and deferred	(2,013,787)	470,989
- income due to participation in the		
national tax consolidation scheme	7,339,772	1,375,100
Total	5,325,985	1,846,089
21) Net profit for the year	36,993,581	69,198,059

*** **

*** **

*** **

*** **

*** **

*** **

*** **

*** **

*** **

*** **

*** **

*** **

*** **

*** **

*** **

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

	2019	2018
A. Cash flows from operating activities (indirect method)		
Net profit for the year	36,993,581	69,198,059
Income tax expense	(5,325,985)	(1,846,089)
Net interest expense	18,572,825	10,762,429
Dividends collected	(70,000,000)	(79,666,886)
Net losses on disposals of tangible, intangible and financial fixed assets	0	945,196
1. Net loss for the year before income taxes, interest, dividends and gains/losses on sale of assets	(19,759,579)	(607,291)
Adjustments for non-monetary items that did not affect net working capital		
Accruals to employees' leaving entitlement	210,631	125,702
Amortisation and depreciation	579,599	652,049
Write-downs for impairment	9,082,902	0
Fair value gains on derivatives	6,738,619	6,913,739
Fair value losses recognised in the hedging reserve	(5,128,134)	(5,316,980)
2. Cash flows before changes in net working capital	(8,275,962)	1,767,219
Changes in net working capital		
Increase/(decrease) in trade payables	(636,130)	828,856
Decrease/(increase) in prepayments and accrued income	3,804,075	(4,474,042)
Decrease in accrued expenses and deferred income	(668,461)	(1,238,973)
Other changes in net working capital	(1,196,408)	(932,937)
3. Cash flows after changes in net working capital	(6,972,886)	(4,049,877)
Other adjustments		
Net interest paid	(19,241,286)	(10,864,939)
Income taxes collected	2,301,328	3,861,761
Dividends collected	70,000,000	79,666,886
Utilisation of employees' leaving entitlement	(130,059)	(130,649)
Utilisation of provisions	(6,814,000)	(1,330,000)
Cash flows from operating activities (A)	39,143,097	67,153,182
B. Cash flows from investing activities		
Intangible assets		
Investments	(10,940)	(20,596)
Proceeds from disposals	0	270,789
Tangible fixed assets		
Investments	(88,370)	0
Financial fixed assets		
Investments	(326,938,536)	(8,787,242)
Proceeds from disposals	0	258,605
Current financial assets		
Investments	(552,505)	(492,926)
Financial assets from cash pooling arrangements		
Investments	(155,043,017)	(43,720,495)
Cash flows used in investing activities (B)	(482,633,368)	(52,491,865)
C. Cash flows from financing activities		
New loans	496,859,105	100,003,122
Repayment of loans	0	(100,000,000)
Increase (decrease) in loans and borrowings with subsidiaries	(3,000,000)	35,799,306
Interim dividends paid	(50,000,000)	(50,000,000)
Cash flows from (used in) financing activities (C)	443,859,105	(14,197,572)
Increase in liquid funds (A ± B ± C)	368,834	463,745
Opening liquid funds	1,034,051	570,306
Closing liquid funds	1,402,885	1,034,051

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, premium and luxury goods packaging machinery, and plant and machinery for ceramics, with innovative processes for decorating, packaging, logistics and quality control, (ii) manufacturing logistics, production automation and in-line printing solutions and (iii) gears on behalf of third parties (Precision Gears, "Other).

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 (the OIC). 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, results of operations and cash flows.

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 not 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 2019, which are consistent with the policies applied in the preparation of the financial statements of the previous year and approved by the board of statutory auditors, where required by law, are described below.

Intangible fixed assets

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

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

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

Goodwill is recognised as an asset only if acquired against consideration, may be quantified, originates from charges and costs with a long-term useful life which ensure future economic benefits and can, therefore, be recovered. The company did not recognise any residual goodwill at 31 December 2019.

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 to sell 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 insignificant, 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 not significant.

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 remains 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 insignificant, 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 not significant.

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

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

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

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

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

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

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

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

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

Trade payables due after one year upon initial recognition that do not bear interest or bear contractual interest that significantly differs from market rates and the related costs are initially recognised at their present value by discounting future cash flows at market interest rates.

The difference between the carrying amount at initial recognition and the terminal value is recognised in the profit and loss account as interest expense over the payable's life, using the effective interest method.

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

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

Foreign currency transactions, assets and liabilities

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

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

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

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

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

Revenues and costs

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

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

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

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

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

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

Dividends

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

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

Income taxes

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

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

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

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

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

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

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

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

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

Post-balance sheet events

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

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

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

OTHER INFORMATION

Waivers under article 2423.4 of the Italian Civil Code

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

Presentation of figures

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

Independent auditors' fees

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

Service type	Service		Fees
	provider	Beneficiary	
Audit	KPMG S.p.A.	Coesia S.p.A.	61
Other services	KPMG S.p.A.	Coesia S.p.A.	770
Other attestation services	KPMG S.p.A.	Coesia S.p.A.	20
Total Coesia S.p.A.			851
Audit	KPMG S.p.A.	Subsidiaries	420
Audit	KPMG network	Subsidiaries	807
Other attestation services	KPMG S.p.A.	Subsidiaries	57
Other attestation services	KPMG network	Subsidiaries	5
Total subsidiaries			1,289
Total			2,140

NOTES TO ASSETS AND LIABILITIES

FIXED ASSETS

Specific schedules have been prepared for the three categories of fixed assets (tangible, 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 €1,356 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 incurred to register the trademark and new software licence costs of €11 thousand.

Tangible fixed assets refer entirely to plant and furniture required to prepare a new office in Milan.

FINANCIAL FIXED ASSETS

Investments in subsidiaries

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

	<u>% of ownership</u>	<u>31/12/2019</u>	<u>31/12/2018</u>
	<u>at 31/12/2019</u>		
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
COESIA IPS CGM S de RL de CV	100%	3	3
HAPA AG	100%	16,316	16,316
GD TEKNİK HİZMETLER	0.01%	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.	4.70%	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
SYSTEM CERAMICS S.p.A.	60%	325,327	0
ATLANTIC ZEISER GMBH	100%	6,290	6,251
COESIA VENTURES S.r.l.	100%	2,210	1,010
TOTAL		1,068,507	741,941

The increases for the year refer to:

- charges directly related to the acquisition of the digital printing business of the German company, Atlantic Zeiser GmbH, for €39 thousand;
- a capital injection into the subsidiary Coesia Venture S.r.l. of €1,200 thousand, which was made to give the subsidiary adequate capitalisation for its operations;
- the acquisition of 60% of System Ceramics S.r.l. (subsequently renamed System Ceramics S.p.A.) which operates in the ceramics plant and machinery production

segment for €325,327 thousand, details of which are provided in the directors' report.

This amount includes the acquisition cost and ancillary costs. Reciprocal options for acquiring (for Coesia) and selling (for the former quotaholders) of the remaining 40% of the company's shares were included in the acquisition agreement and can be exercised under the conditions and timeframes agreed therein.

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 V). Figures included in the annexes are taken from the financial statements at 31 December 2019 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. and IPI S.r.l. and the company's share of their 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 2019 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 III), 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

At 31 December 2018, this caption included the minority investment (49%) in XPack S.r.l., a company active in the design and production of innovative packaging machinery, equal to €2,597 thousand. In 2019, following the assessment of the forecast profits of the associate, the minority investment and the quotaholder loan granted to the company, recognised under "Receivables from associates", were completely written off. Therefore, at 31 December 2019, the carrying amount of investments in associates amounts to zero. A provision of €2,000 thousand has been accrued to hedge future losses expected to be incurred in 2020, recognised under "Provisions for risks and charges".

Financial receivables from others

Financial fixed assets include guarantee deposits of €51 thousand, up on the previous year end following the opening of a new office in Milan, for which the relative lease guarantee deposit was paid. The decrease compared to the previous year end relates to the reclassification in 2019 of professional consultancies invoiced in 2018 (€1,513 thousand) related to the acquisition of 60% of System Ceramics S.p.A.. This amount was reclassified as an increase in the acquisition cost of the investment.

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 2019. 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 costs for services provided to direct and indirect subsidiaries, summarised in Annex VI to these notes.

From associates

At 31 December 2018, this caption included 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 and €3,000 thousand in 2019. In accordance with accounting standards applicable to 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. As mentioned in "Investments in associates", following the assessment of the forecast profits of the associate, such financial receivable was written off at 31 December 2019.

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 €7,352 thousand due from the consolidating entity IS.CO S.r.l..

Tax receivables

This caption includes a VAT receivable of €2,267 thousand.

Deferred tax assets

This caption refers to deferred taxes of €4,055 thousand, mainly related to accruals to 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 €2,065 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 €562 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 €234,919 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	
	<u>31/12/2019</u>	<u>31/12/2018</u>
Bank and postal accounts	1,399	1,029
Cash-in-hand and cash equivalents	4	5
Total	<u>1,403</u>	<u>1,034</u>

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

PREPAYMENTS AND ACCRUED INCOME

This caption is primarily comprised of prepaid commitment fees of €681 thousand on the syndicated credit facility granted in 2018, together with the related loan detailed under "Bank loans and borrowings" below.

NET EQUITY

Changes in net equity are provided in "Annex IV". "Annex VII" gives details of the net equity captions in accordance with article 2427.7-bis of the Italian Civil Code. Pursuant to article 2427.18/19 of the Italian Civil Code, at 31 December 2019, 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 amount of €1 each.

RESERVES

The legal, extraordinary and unavailable income-related reserves increased due to the allocation of part of the net profit for 2019, as per the shareholders' resolution taken during their ordinary meeting of 18 April 2019. The extraordinary reserve increased by €65,738 thousand due to the allocation of the net profit for 2018 and decreased by €50,000 thousand,

after the shareholders' resolution taken during their ordinary meeting of 10 December 2019 for the distribution of dividends for such amount. At the same meeting, the shareholders resolved to reclassify €2,731 thousand from the undistributable income-related reserve to the extraordinary reserve.

Changes to hedging reserves at 31 December 2019 are as follows:

	31/12/2018	Taken to the profit and loss account	Recognised in net equity	31/12/2019
- Cash flow hedges	(9,516)	0	(6,747)	(16,263)
- Tax effect	2,284	0	1,619	3,903
Total	<u>(7,232)</u>	<u>0</u>	<u>(5,128)</u>	<u>(12,360)</u>

PROVISIONS FOR RISKS AND CHARGES

This caption includes the provision for deferred tax liabilities and the accrual for the cost of long-term incentives granted to the company's top management starting from 2016 (€543 thousand at 31 December 2019, net of incentives paid during the year) in addition to the aforementioned provision to hedge the future losses of the associate XPack S.r.l..

The provision for deferred tax liabilities totalling €62 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 31/12/2018	68
Accrual for the year	211
Transfers for the year	88
Utilisation for entitlements and advances paid, payment to the INPS fund and supplementary pension funds	<u>(219)</u>
Balance at 31/12/2019	<u>148</u>

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

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.

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 31/12/2019	Balance at 31/12/2018
Loans	49,978	367,360	509,245	926,583	429,724
<i>Committed revolving credit facilities</i>	0	0	0	0	0
Total	49,978	367,360	509,245	926,583	429,724

(in thousands of Euros)

Bank loans totalling €930 million mainly include Coesia S.p.A.'s loans, of which €50 million is due in 2020, €192.4 million due in 2021, €124.9 million due in 2022, €25 million due in 2023, €25 million due in 2024, €12.5 million due in 2025 and €496.8 million due in 2026. All of the above loans are measured at amortised cost apart from one loan of €30 million. Loans increased on the previous year end due to the new loan for a nominal amount of €500 million (term credit facility) issued in January 2019 to support the group's recent acquisitions and due in 2026. This loan includes a revolving facility of €150 million, unused at 31 December 2019.

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 2019. Interest accrues at market rates on all loans.

Furthermore, in order to partially refinance the existing payable, extending its term, a new five-year syndicated loan of €180 million was signed on 20 December 2019 with six lending banks. This loan was issued in January 2020.

The derivative contracts in place at 31 December 2019 are as follows:

- 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 fair value valuation of such transaction at 31 December 2019 showed a loss of approximately €2,464 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 fair value valuation of such transaction at 31 December 2019 showed a loss of approximately €187 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 fair value valuation of such transaction at 31 December 2019 showed a loss of approximately €594 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 fair value valuation of such transaction at 31 December 2019 showed a loss of approximately €479 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 fair value valuation of such transaction at 31 December 2019 showed a loss of approximately €921 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 started 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 fair value valuation of such transaction at 31 December 2019 showed a loss of approximately €1,558 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 (and renewed in January 2019) for a total notional amount of €375 million, expiring on 31 July 2023. Under such derivatives, the company undertakes to pay/collect the differential

between 3-month Euribor and the fixed rate of 0.4575% on a quarterly basis. They were agreed to hedge the term credit facility part of the syndicated loan signed on 31 July 2018 and issued in January 2019 as mentioned above. The fair value valuation of such transactions at 31 December 2019 showed a loss of approximately €10,060 thousand, which was recognised under “Provisions for risks and charges”, with a balancing entry under the "Hedging reserve”;

Trade payables

Trade payables amount to €1,502 thousand at 31 December 2019. The decrease on the previous year end is related to lower service costs incurred in the last quarter of 2019 compared to the same period of the previous year.

Payables to subsidiaries

This caption includes payables to direct and indirect subsidiaries, which are summarised in “Annex VI” 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):

	<u>31/12/2019</u>	<u>31/12/2018</u>
Withholdings on employee, freelance and consultant remuneration	1,163	619
Total	<u>1,163</u>	<u>619</u>

The increase is mainly due to the greater number of employees at 31 December 2019.

The years from 2015 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 €217 thousand.

Other payables

This caption mainly includes payables for employee remuneration of €1,172 thousand and the residual payable of €1,469 thousand for the acquisition of System Ceramics S.p.A..

ACCRUED EXPENSES AND DEFERRED INCOME

This caption mainly includes accrued interest expense on bonds and on the bank loans described above (€1,087 thousand), accrued commitment fees on the non-utilised credit facility (€58 thousand) and accrued expenses on interest rate hedges (€462 thousand).

GUARANTEES GIVEN, COMMITMENTS AND CONTINGENT LIABILITIES

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

	31/12/2019	31/12/2018
- Sureties in favour of subsidiaries	490	3,385
- Sureties in favour of third parties	204,800	2,762
TOTAL	205,290	6,147

Sureties in favour of third parties refer to guarantees given to the seller of System Ceramics S.p.A. regarding the possible put option for the remaining 40% of the shares, in accordance with the acquisition agreement signed by the parties.

NOTES TO THE PROFIT AND LOSS ACCOUNT

REVENUES

This caption mainly relates to revenues from subsidiaries for services provided (€9,397 thousand) and costs to be recharged (€5,737 thousand). Such transactions performed on an arm's length basis totalling €15,135 thousand are detailed in "Annex VI". It also included the release of the provision for risks of €6,814 thousand.

COST

This caption is mainly comprised of service costs totalling €26,646 thousand (2018: €8,408 thousand), principally relating to directors' fees (€10,958 thousand), internal audit, management and coordination and strategic development activities (€5,855 thousand), consultancy services (€2,480 thousand), employee travel expenses (€199 thousand), statutory auditors' fees (€110 thousand) and entertainment (€68 thousand). It also includes costs of €5,737 thousand to be recharged to the group companies. "Annex VI" also lists the costs incurred for services provided by the subsidiaries.

Personnel expenses

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

	<u>2019</u>	<u>2018</u>
Wages and salaries	4,122	2,120
Social security contributions	1,048	489
Employees' leaving entitlement	211	126
Other costs	17	11
Total	<u>5,398</u>	<u>2,746</u>

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

	2019	2018	Average
Managers	8	7	8
White collars	<u>15</u>	<u>4</u>	<u>14</u>
Total	<u><u>23</u></u>	<u><u>11</u></u>	<u><u>22</u></u>

FINANCIAL INCOME AND CHARGES

INCOME FROM INVESTMENTS

This caption mainly includes the dividends approved and received from the subsidiary G.D S.p.A. during the year 2019 of €70.000 thousand.

OTHER FINANCIAL INCOME

This caption mainly includes the accrued return on the whole-life insurance policies (€730 thousand).

INTEREST AND OTHER FINANCIAL CHARGES

This caption includes interest expense on bonds of €3,000 thousand and interest expense and bank charges on loans and credit facilities of €13,823 thousand. It also includes interest expense on the loan from the subsidiary Coesia Finance S.p.A. (€2,520 thousand).

EXCHANGE RATE GAINS AND LOSSES

This caption mainly comprises realised and unrealised exchange rate gains and losses made during normal business activities.

ADJUSTMENTS TO FINANCIAL ASSETS

Write-downs for the year refer to the write-off of the investment in the associate XPACK S.r.l. and the financial receivable due therefrom, in addition to the accrual to the provision to cover future losses, as highlighted in the notes to the balance sheet.

INCOME TAXES

This caption is comprised of income of €7,340 thousand arising from the adoption of the national tax consolidation scheme described earlier on and deferred tax expense of €1,863 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 and to the release of the untaxed provisions.

POST-BALANCE SHEET EVENTS

The beginning of 2020 has been marked by the appearance of the so-called Coronavirus (COVID-19) epidemic, which started in China at the end of 2019 and quickly spread around the world. The phenomenon is impacting the global economy, with severe repercussions for the lives of the population, in addition to work, consumption, business activities, financial markets and economic growth. The Coesia group companies have followed the instructions issued by the governments of the respective countries, with the goal of protecting the health of employees, while keeping the business going. Many group companies have introduced smart working and, where required by law, production activities have been temporarily suspended. There have been no significant problems in the supply chain and IT systems are adequately supporting smart working. At present, it is hard to predict the impacts of the Coronavirus; however, there are currently no significant risks related to: i) the continuity of business and the group companies, ii) the need to make significant adjustments in 2020 to assets shown in the 2019 financial statements and iii) accruing significant liabilities for risks and charges. The group's non-revocable credit lines are considered substantial enough to confront any significant delays in cash flows.

ALLOCATION OF THE NET PROFIT FOR 2019

The financial statements as at and for the year ended 31 December 2019, which we submit for your approval, show a net profit of €36,993,580.61, net of provisions for all charges relating to the year. We propose that the net profit be allocated as follows:

- €1,849,679.03 to the legal reserve;
- €35,103,863.45 to the extraordinary reserve;
- €40,038.13 to the translation 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 2019 (Annex I);
- ◆ Statement of changes in tangible fixed assets for the year ended 31 December 2019 (Annex II);
- ◆ Statement of changes in financial fixed assets at 31 December 2019 (Annex III);
- ◆ Statement of changes in net equity for the years ended 31 December 2019, 2018 and 2017 (Annex IV);
- ◆ List of investments in subsidiaries at 31 December 2019 as per article 2427.5 of the Italian Civil Code (Annex V);
- ◆ Summary of related party transactions at 31 December 2019 (Annex VI);
- ◆ Breakdown of net equity captions in accordance with article 2427.7-bis of the Italian Civil Code at 31 December 2019 (Annex VII).

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

Bologna, 26 June 2020

On behalf of the BOARD OF DIRECTORS:

Isabella Seragnoli

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Euros)

Annex I

	Balance at 31 December 2018			Changes for the year			Balance at 31 December 2019		
	Historical cost	Accumulated amortisation	Carrying Amount	Increase	Decrease	Amortisation	Historical cost	Accumulated amortisation	Carrying Amount
Intangible fixed assets:									
Concessions, licences, trademarks and similar rights	1,114	(925)	189	11		(42)	1,125	(967)	158
Deferred charges	9,712	(7,824)	1,888	-		(532)	9,712	(8,356)	1,356
Assets under development	-	-	-	-	-	-	-	-	-
Total intangible fixed assets	10,826	(8,749)	2,077	11	0	(574)	10,837	(9,323)	1,514

STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Euros)

Annex II

	Balance at 31 December 2018			Changes for the year			Balance at 31 December 2019		
	Historical cost	Accumulated depreciation	Carrying Amount	Increase	Decrease	Depreciation	Historical cost	Accumulated depreciation	Carrying Amount
Tangible fixed assets:									
Plant and machinery	-	0	-	15	-	(1)	15	(1)	14
Other assets	-	0	-	74	-	(5)	74	(5)	69
Total tangible fixed assets	-	0	-	89	0	(6)	89	(6)	83

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

AT 31 DECEMBER 2019

(in thousands of Euros)

	Balance at 31 December 2018				Changes for the year			Balance at 31 December 2019			
	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
<u>Subsidiaries measured at cost:</u>											
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
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.	1,010			1,010	1,200			2,210			2,210
Atlantic Zeiser GMBH	6,251			6,251	39			6,290			6,290
System Ceramics S.p.A.	0			0	325,327			325,327			325,327
Total investments in subsidiaries	789,418	(48,855)	1,378	741,941	326,567	0	0	1,115,984	(48,855)	1,378	1,068,507

	Balance at 31 December 2018				Changes for the year			Balance at 31 December 2019			
	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
<u>Subsidiaries measured at cost:</u>											
XPack S.r.l.*	2,597			2,597	32	0	(2,629)	2,629	(2,629)	0	0
Total investments in associates	2,597	0	0	2,597	32	0	(2,629)	2,629	(2,629)	0	0

*also includes a provision to cover future losses of €2,000 thousand

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

(in thousands of Euros)

	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES				CAPITAL INJECTION FOR FUTURE SHARE CAPITAL INCREASE	RETAINED EARNINGS (LOSSES CARRIED FORWARD)	HEDGING RESERVE	NET PROFIT FOR THE YEAR	TOTAL EQUITY
			NEGATIVE GOODWILL	AS PER LAW NO. 904/77	EXTRAORDINARY RESERVE	UNAVAILABLE INCOME-RELATED RESERVES					
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 2 May 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)
- 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)
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
Shareholders' resolution at the ordinary meeting of 19 April 2019											
allocation of net profit:											
- legal reserve		3,460								(3,460)	0
- extraordinary reserve					65,738					(65,738)	0
- distribution of dividends					(50,000)						(50,000)
- unavailable income-related reserves					2,731	(2,731)					0
Hedging reserve								(5,128)			(5,128)
Net profit for 2019										36,994	36,994
Balance at 31 December 2019	125,000	19,145	0	0	57,343	97	0	0	(12,360)	36,994	226,219

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Annex V

AT 31 DECEMBER 2019 (ARTICLE 2427.5 OF THE ITALIAN CIVIL CODE)

COMPANY	% OF OWNER SHIP	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	695,390	695,390	102,100	102,100	886,636	214,726		671,910
ACMA S.p.A.	100.00%	Bologna	€9,300 thousand	13,824	13,824	(3,118)	(3,118)	19,645	16,306		3,339
CIMA S.p.A.	100.00%	Villanova (Bologna)	€4,810 thousand	28,803	28,803	1,913	1,913	28,753	22,000		6,753
GDM S.p.A.	100.00%	Bologna	€1,500 thousand	40,018	40,018	439	439	46,136	6,330		39,806
Volpak SA	100.00%	Barcelona (Spain)	€9,900 thousand	38,806	38,806	311	311	40,849	14,706		26,143
Laetus Mexico S de RL	100.00%	Mexico City (Mexico)	MXN322,500	1,671	1,671	212	212	1,671	3		1,668
Hapa AG	100.00%	Volketswill (Switzerland)	CHF1,000,000	8,827	8,827	2,218	2,218	11,473	16,316		(4,843)
GD Teknik Hizmetler ve Ticaret Ltd Sirketi	0.01%	Izmir (Turkey)	TRY500,000	13,421	1	1,951	0	1	0		1
Norden Machinery AB (formerly Sirius Machinery AB)	100.00%	Stockholm (Sweden)	SEK112,000	47,305	47,305	7,331	7,331	57,185	35,813		21,372
COESIA FINANCE S.p.A. (formerly A & C)	100.00%	Bologna	€120 thousand	34,042	34,042	7,379	7,379	34,042	20,120		13,922
4S Engineering S.p.A.	100.00%	Bologna	€20 thousand	34	34	(12)	(12)	34	112		(78)
Flexlink Holding AB	100.00%	Gothenburg (Sweden)	SEK3,285,000	200,263	200,263	12,803	12,803	197,282	153,358		43,924
Coesia India Private Limited	4.70%	Pune (India)	INR521,291	3,780	178	323	15	178	370		(192)
R.A JONES & CO	100.00%	Davenport (US)	USD10	245,770	245,770	3,485	3,485	216,632	166,394		50,238
IPI S.r.l.	100.00%	Perugia	€13,000 thousand	9,038	9,038	(2,243)	(2,243)	34,006	38,555		(4,549)
EMMECI S.p.A.	100.00%	Cerreto Guidi (Florence)	€4,000 thousand	14,943	14,943	558	558	45,529	29,571		15,958
Coesia Ventures S.r.l.	100.00%	Bologna	€10 thousand	2,222	2,222	(3)	(3)	2,320	2,210		110
AZ Coesia GmbH	100.00%	Emmingen (Germany)	€5,000 thousand	1,847	1,847	(1,087)	(1,087)	6,810	6,291		519
System Ceramics S.p.A.	60.00%	Fiorano (MO)	€10,000 thousand	204,537	122,722	14,636	8,782	335,511	325,327		10,184
TOTAL SUBSIDIARIES				1,380,992	1,378,912	135,092	132,833	1,574,523	1,068,508	0	869,414

SUMMARY OF RELATED PARTY TRANSACTIONS
AT 31 DECEMBER 2019
(in thousands of Euros)

Annex VI

	BALANCE SHEET			USE OF THIRD-PARTY ASSETS	FINANCIAL CHARGES	DIVIDENDS	OTHER REVENUES AND INCOME	FINANCIAL INCOME
	CASH POOLING RECEIVABLE	RECEIVABLES	PAYABLES					
Parent								
IS.CO S.r.l.		7,352						
TOT. PARENT	0	7,352	0	0	0	0	0	0
Subsidiaries								
G.D S.p.A.		986	1,224	2,378		70,000	3,598	
FLEXLINK AB		742	12	14			3,810	
FLEXLINK SYSTEMS GmbH			6	39				
FLEXLINK SYSTEMS KFT			38	115				
FLEXLINK SYSTEMS NV				133				
G.D AUTOMATIC MACHINERY LTD.							1	
FLEXLINK SYSTEMS PTE LTD		42	353	352			165	
FLEXLINK ENGINEERING SDN BHD		3					3	
FLEXLINK SYSTEMS S.p.A.		15	24	281			12	
JSC G.D AUTOMATIC PACKAGING MACHINERY ZAO		16					16	
G.D AUTOMATISCHE VERPACKUNGSMACHINEN GMBH		13					13	
G.D DO BRASIL MAQUINAS DE EMBALAR LTDA							36	
G.D JIDOKIKAY K.K.							24	
G.D USA INC		4					42	
G.D CHINA AUTOMATIC MACHINERY LIMITED LTD							12	
R.A JONES & CO. INC		575	107	107			825	
PT GD INDONESIA PT		2					36	
GD TEKNIK HIZMETLER VE TICARET LIMITED SIRKETI		70					39	
GD SOUTH AFRICA TECHNICAL CENTRE							6	
COESIA KOREA		2					2	
COESIA MIDDLE EAST							5	
IPI S.r.l.		194					346	
MGS MACHINERY LTD		358					350	
G.D Poland Sp. z o.o.							3	
EMMECI S.p.A.		48					98	
EMMECI Europe S.a.r.l.							4	
EMMECI USA LLC							3	
MPRD LTD		2					98	
MOLINS S.R.O.							16	
MOLINS FAR EAST PTE LTD							2	
CERULEAN SHANGAI COMPANY LTD							1	
COESIA NAM Shared Services LLC		15	127	128			15	
SASIB S.p.A.		31	13				98	
4S Engineering S.r.l.							2	
COMAS S.p.A.			16				191	
GF S.p.A.		13	12				64	
CIMA S.p.A.		45					93	
System Ceramics S.p.A.		506	17				1,200	
ACMA S.p.A.		491		8			1,111	
GDM S.p.A.		240					424	
COMESCA S.r.l.		26					36	
HAPA AG		77					276	
ATLANTIC ZEISER GMBH		148					292	
COESIA IPS CGM S de RL de CV		17					7	
NORDEN MACHINERY AB		373					748	
CITUSKALIX SAS		91					192	
ADMV SAS		16					5	
SIRIUS MACHINERY (SUZHO) CO LTD		2					15	
FRANSSONS MASKINBEARBETNING I KALMAR AB							1	
VOLPAK S.A.		228					576	
COESIA INDIA PRIV. LTD		3					36	
NOVA PREFABBRICATI S.r.l.							2	
COESIA FINANCE S.p.A.	234,919	171	90,636		2,520		180	11
G.D TECH.CENTER MIDDLEEAST FZE FZE		13					4	
TOTAL SUBSIDIARIES	234,919	5,578	92,585	3,555	2,520	70,000	15,134	11
Associates								
XPACK S.r.l.		0	0					30
TOTAL ASSOCIATES	0	0	0	0	0	0	0	30

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

AT 31 DECEMBER 2019 (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	19,145	B		0
Reserve for own shares				
Unavailable income-related reserve				
Hedging reserve	(12,360)			
Translation reserve	97			
Extraordinary reserve	57,343	A, B, C	57,343	0
Reserve as per waiver under article 2423.4		B		
Retained earnings (losses carried forward)		B		0
TOTAL	189,225		57,343	
distributable portion			44,983	0

Key:

A : For share capital increase

B : To cover losses

C : For dividend distribution