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

Coesia S.p.A.

Financial statements as at and for the year ended 31 December 2020

(with independent auditors' report thereon)

KPMG S.p.A.

16 June 2021

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

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

To the shareholders of
Coesia S.p.A.

Report on the 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 2020, 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 2020 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 2020 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 2020 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 2020 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, 16 June 2021

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

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

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

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

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FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' REPORT

Dear shareholders,

This report accompanies the financial statements as at and for the year ended 31 December 2020 of COESIA S.p.A., which we submit for your approval.

Company and group activities

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").

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., 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 reference to the food (chocolate, candies, tea, coffee) and personal care (soap, cleanser) segments;
- GDM S.p.A., with its registered office in Offanengo (Cremona), 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 lines 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. 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 egistered office in Fiorano Modenese (Modena), is an international leader in the development of production processes for the ceramics industry, which guarantees high industrial standards with regard to pressing, decorating, selection lines and quality control, in addition to providing advanced packing, palletising and handling solutions for the ceramic industry.

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, depalletisers and palletisers;
- HAPA AG, with its registered office in Zurich (Switzerland), supplies in-line printing solutions for the pharmaceutical industry;
- ATLANTIC ZEISER GmbH 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.

Significant events

2020 was marred by the spread of the SARS-CoV-2 (COVID-19) pandemic. The phenomenon affected the global economy, with significant repercussions for both supply and demand. From the beginning of March to early May 2020, most group companies were forced to totally suspend operations for a certain period, which was followed by a gradual return, until full in-person operations could be guaranteed again in the production departments. This had a significant impact on the group's financial position and results of operations in 2020. However, it allowed the group to roll out a number of effective safety procedures in accordance with all of the government provisions, guaranteeing a strong focus on the health of people. During the year, all the group's employees and organisational structures demonstrated great collaboration, allowing for widespread use of remote working, with extremely positive results. There were no significant problems in the supply chain and IT systems were reinforced to adequately support remote activities. The period of closure, the aforementioned slowdown in production activities and the costs associated with managing the COVID-19 pandemic led to a decrease in volumes and profit, which the company was able to suitably absorb. There are, therefore, no risks in terms of the operating continuity of the group's business and companies. The company's net financial position improved in respect of 2019 and the group's non-revocable lines of credit are currently deemed amply sufficient to cope with any significant delays in cash flows due to the lingering effects of the COVID-19 pandemic.

In June 2020, the non-controlling investors in System Ceramics S.p.A. exercised their put option for the sale of the 40% of the company's shares to COESIA S.p.A. as per the agreement for COESIA S.p.A.'s acquisition of 60% of System Ceramics S.p.A. drawn up in 2018 and executed in 2019. After such option was exercised, the company sent a formal claim, following which the parties entered into negotiations to try to find an out-of-court agreement. On 9 June 2021, the company and the sellers reached and executed an agreement amending part of the original acquisition agreement, whereby the company acquired the 40% investment in System Ceramics S.p.A. for a fixed consideration and an earn-out to be paid in 2025 and calculated on the basis of the acquiree's financial position and performance in 2023 and 2024. Under the agreement, the previous non-controlling investors in System Ceramics S.p.A. retain a pledge and voting rights on 20% of the company's shares to guarantee payment of the earn-out, if any, until it is settled.

The macroeconomic situation

2020 saw a significant reduction in global growth in the emerging, developing and advanced economies due to the impact of the Coronavirus (COVID-19) pandemic.

Based on the figures shared by the International Monetary Fund, in 2020 GDP fell by 3.5% in the US (+2.2% in 2019), 6.6% in the Eurozone (+1.3% in 2019) and 4.8% in Japan (+0.3% in 2019). In the main emerging and developing economies, economic growth rates only remained positive in China, where GDP grew 2.3% (+5.8% in 2019), while India's GDP fell by 8.0% (+4.0% in 2019).

According to the International Monetary Fund's estimates from March 2021, the global economy is expected to grow in 2021 and 2022 by 6.0% and 4.4%, respectively. In 2021, the economy is expected to grow by 4.4% in the Eurozone, 6.4% in the US and 3.3% in Japan. While in 2022, it is expected to grow by 3.8% in the Eurozone, 3.5% in the US and 2.5% in Japan.

Emerging and developing countries are expected to grow by 6.7% in 2021 and 5% in 2022. Specifically, India and China are forecast to grow by 8.4% and 12.5%, respectively, in 2021 and by 5.6% and 6.9%, respectively, in 2022.

These estimates are based on the following assumptions: (i) a progressive slowdown in the spread of the pandemic, especially thanks to the expansion of vaccination coverage and improved treatments, allowing for a gradual relaxation of restrictions; (ii) the active support policies provided by governments and institutions remaining in place while still needed; (iii) favourable interest rates, and (iv) higher raw materials prices which reflect the expected global recovery. These forecasts are subject to a high level of uncertainty, mainly related to: (i) the actual progression of the pandemic, specifically with reference to the new waves of infection and possible new variants; (ii) the intensity and efficacy of the containment efforts, particularly with regard to vaccination campaigns; (iii) the intensification of social unrest due to increased inequality, and (iv) the impact that reducing support policies will have on economic activity.

Markets

The group's performance in 2020 was impaired by the effects the COVID-19 pandemic had on the global economy and operating activities in the different geographic areas in which the group operates, showing a downturn compared to 2019 in terms of revenue and profit. In particular, the group's operating activities were affected by the suspension of production at certain sites, which was required in compliance with local legislation, where applicable, and the implementation of suitable measures aimed at guaranteeing the health and safety of people. Restrictions on freedom of movement and physical presence at the company's or customers' production sites also negatively impacted commercial activities, specifically related to installation services and after-sales services. As it stands, the situation is gradually improving, even though, as mentioned in more detail below, it is reasonable to assume that at least some of the effects of the pandemic will permeate throughout the whole of 2021.

Advanced Automated Machinery & Materials (AAM&M)

In 2020, volumes and operating results both decreased compared to the previous year, mainly due to the effects of the COVID-19 pandemic which hit all the group companies around the world.

With regard to the tobacco industry, the conventional cigarette market is still sluggish, albeit partially offset by the growth of so-called New Generation Products (NGP). Following a sharp drop in 2019 (specifically in Japan), these products began to gain traction again at the start of 2020, before slowing down when the COVID-19 pandemic hit, delaying a number of potential investments. The pandemic led to the temporary closure of several factories belonging to customers and the postponement of various projects (specifically, as mentioned, those related to NGPs). The main impact was caused by the decrease in demand for new machinery due to the stagnation of investments, particularly by multinationals. In 2020, business picked up, in particular, with so-called "independent" customers (not multinationals) in areas such as the Middle East and related to so-called Other Tobacco Products (OTP)/ Oral, with the supply of dozens of Snus lines to customers in both Europe and the US. The after-sales business performed very well, specifically thanks to the use of digital tools such as Remote Production Assistance (RPA), already developed in previous years and successfully used systematically, to the great satisfaction of customers in 2020, in order to at least partially make up for the restrictions placed on physical presence introduced in response to the pandemic.

The Consumer Goods Machinery and Materials (CGM&M) business performed slightly worse than the previous year due to the slowdown of investments by reference operators caused by the public health emergency. Specifically, companies operating in luxury and cosmetics sectors were worst hit by the pandemic emergency. In 2020, there was a drop in volumes, most notably in the machinery segment, attributable to the downturn in investments by the main customers of the companies operating in the CGM&M business. Although the after-sales segment also recorded a drop in volumes, it performed better than the machinery segment, with some companies recognising an increase in revenue compared to 2019. The decrease in operating profit in the CGM&M business was experienced by most companies in the segment, as they had to cope with the economic consequences of the health situation. Europe and North America are still the main markets, with emerging developments 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.

In 2020, development and production continued for the "*SFI", Sustainable Forestry Initiative*® contract acquired by ACMA S.p.A., but which also involves other Coesia group companies. The project offers the group the chance to get established in the coffee market and become a key supplier for a market leader. The contract, for which the prototype was delivered in 2020, provides for the supply of innovative full production lines to set up a factory for the customer, therefore entailing the highest technological innovation, which, again in 2020, led the group to make important investments in research and development.

Industrial Process Solutions (IPS)

The IPS business recorded a drop in sales volumes and slight decrease in operating profit. The downturn in volumes, most notably in the machinery segment, is due to the slowdown in investments by the customers of the companies in the IPS business due to the public health emergency. The after-sales segment also recorded a drop in volumes, but it performed better than the machinery segment, thanks, in particular, to the increase in volumes in the digital printing business compared to 2019. The slight decrease in operating profit in the IPS business was connected to the performance of Atlantic Zeiser GmbH, while the other companies recorded an increase in operating profit both as a percentage and in absolute terms compared to the previous year.

North America (including Mexico) contributed to the increase in volumes for the IPS business, while the other geographical segments recorded a decline compared to 2019.

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, except for those related to COVID-19 reported below.

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, for the subsidiary G.D. S.p.A., there are currently some regulatory risks, especially in the US, with the possible introduction of limitations, such as on the use of flavourings in tobacco, as well as in the European Union and non-EU countries, that may have an additional negative impact on cigarette consumption and the related demand for machinery. In addition to the aforementioned risks, there are risks related to customers' increased focus on cost cutting and production consolidation, which may lead to a decrease in demand for machinery and greater pressure on prices and profitability.

Though present, credit, liquidity, currency and interest rate risks do not have significant potential impacts on the group. 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. With regard to trade receivables, at present, there has not been an increase in the related risk following the effects of COVID-19 thanks to both the high quality of the customer portfolio and the careful strategy used to monitor receivables managed at group level.

Investments in foreign operations are not hedged, except for the planned 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 9.3% 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 workplace. It carefully monitors and applies the relevant labour legislation, especially that covering occupational health and safety. In previous years, the company 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, 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.

Risks related to macroeconomic trends and risks connected to the effects of COVID-19

As the group operates across different international markets, it is affected by changes in the macroeconomic conditions of those markets and, in particular, the public health emergency which appeared in the first months of 2020.

Indeed, 2020 was characterised by the spread of the COVID-19 pandemic, the global socio-economic effects of which were unprecedented and today, it is still not possible to estimate the long-term consequences for people’s lives and habits. The adoption of restrictions implemented by the different government authorities to combat the spread of COVID-19 led to a considerable reduction in consumption, inevitably affecting the group’s profitability indicators.

As it stands, it is not possible to predict the duration of the pandemic, the restrictions aimed at containing further spread of the virus and the timeframes or effectiveness of the vaccination plans currently being rolled out in different countries. Therefore, it is impossible to forecast any other negative effects which a prolongation of the pandemic could have on the group’s global and domestic economic activities, or on its business. Specifically, should there be subsequent waves of COVID-19 in the future, national authorities may reintroduce either all or some of the aforementioned restrictions, which could also negatively impact the group’s global and local economic activities and business. Furthermore, should the global economic conditions deteriorate due, for example, to a prolonged recession in Europe or the US or on a global scale, or should COVID-19 cause a recession, a potential negative impact on the group’s financial position and results of operations cannot be excluded.

If new serious waves of the COVID-19 pandemic were to spread and several governments were to simultaneously introduce particularly restrictive measures to contain the virus, the group may experience negative effects impacting its:

- supply chain, as the main suppliers may be unable to deliver products or deliveries may be very delayed;
- operating activities, as the group may not be able to make use of its workforce due to government regulations which may limit freedom of movement or if the group is not able to guarantee the safety and protection of the work environment;
- distribution activities, as the main physical distribution channels may be impacted by

particularly restrictive measures.

In order to overcome these risks, since the beginning of the public health emergency, the group has introduced the measures necessary to minimise the risk of contagion and safeguard the health and safety of its people, while also guaranteeing operating continuity throughout the period, in compliance with the extraordinary legal provisions imposed in the different jurisdictions, while promptly adopting a structured plan involving all the company departments, aimed at mitigating the impact of the crisis on the group's financial position and results of operations.

Performance

The company recorded a net profit of €62.2 million in 2020 (2019: €37 million). This was mainly a result of: (i) an approximate €6.2 million improvement in operating profit following lower M&A costs incurred in 2020 (-€4.1 million) and lower net operating costs (-€2.1 million), (ii) dividends received totalling €85.1 million, compared to €70 million in 2019; (iii) higher net financial charges (including the amortisation of deferred charges on loans) linked to the rise in debt with third parties by €3.6 million; (iv) higher net exchange rate losses by €0.5 million compared to 2019; and (v) the write-down of the loan granted to the associate XPACK S.r.l. by €1 million compared to €9.1 million in 2019, including the write-down of both the equity investment and the loan to the associate.

The company's net financial debt is €845.9 million at 31 December 2020 compared to €853.3 million at 31 December 2019. It includes securities, the fair value of derivatives, investments in closed-end funds, financial receivables/payables from/to subsidiaries and bonds. Changes therein are shown in the cash flow statement. The net financial debt includes loans and borrowings totalling €972.8 million, of which €12.5 million due in 2021, €25.0 million due in 2022, €25.0 million due in 2023, €203.8 million due in 2024, €12.5

million due in 2025 and €694.0 million due in 2026.

Bank loans and borrowings increased due to the net effect of:

- two new loans: one granted in January 2020 for €180 million due in 2024 and one granted in April 2020 for €200 million due in 2026;
- the repayment of four different loans, totalling €330 million, which were due in 2020-2022.

These actions enabled the group to extend its average payment dates.

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

The decrease in the net financial debt during the year is related to the net profit for the year (specifically, dividends received net of financial charges paid and net operating costs), partially offset by capital injections to subsidiaries (€31.7 million) and the fair value loss on derivatives (€18.5 million)

Gross interest and other financial charges for the year, amounting to €22.6 million in 2020, as a percentage of loans remain essentially in line with 2019 when they totalled €19.3 million.

<u>Presentation of the consolidated financial statements</u>

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 2020 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 2020 consolidated financial statements:

- G.D S.p.A.'s turnover decreased to €605.7 million in 2020 from €680.6 million in 2019. Its 2020 operating profit came to €61.6 million (€103.9 million in 2019), net of R&D costs which were approximately 5% of turnover. The conventional cigarette market is still sluggish, albeit partially offset by the growth of so-called New Generation Products (NGPs). The recovery of the latter products slowed down when the COVID-19 pandemic hit in 2020, delaying a number of potential investments. The decrease in the operating profit mainly reflects the reduction in turnover during the year and the consequent higher impact of fixed costs on profit margins, non-recurring charges directly attributable to the COVID-19 pandemic and production under-absorption while the facilities were closed to curb the spread of the virus and protect the health and safety of people. The outlook for 2021 remains nevertheless positive, despite an uncertain market situation caused by the continuing pandemic and resulting decline in investments;
- A.C.M.A. S.p.A. recorded turnover of €111.3 million in 2020, slightly down on 2019 (€113.6 million), and an operating loss of €9.6 million, down on 2019 (operating profit

of €2.4 million). This decline is mainly due to higher non-recurring charges on contracts in progress, charges directly attributable to the COVID-19 pandemic and production under-absorption while the facilities were closed to curb the spread of the virus and protect the health and safety of people;

- GDM S.p.A.'s results improved from 2019 to 2020. Its turnover increased from €43.0 million to €55.4 million and its operating profit from €0.7 million to €1.6 million. The rise in volumes is a direct result of investments made by customers. Despite the non-recurring charges attributable to COVID-19 and production under-absorption during the closure period of the facilities, the company cost-containing actions enabled it to improve its operating profit. Volumes are expected to increase in 2021;
- VOLPAK SA closed 2020 with turnover of €52.6 million, up on 2019 (€48.1 million). Despite the non-recurring charges incurred, operating profit rose significantly from €0.7 million in 2019 to €4.4 million in 2020. These improved results are mainly attributable to the different product mix focused on "retrofit" product lines for key accounts, with higher profit margins than 2019, in addition to a general improvement in cost management compared to the previous year. Volumes are expected to increase in 2021;
- CIMA S.p.A.'s turnover decreased from €29.8 million in 2019 to €25.3 million in 2020, while its operating profit dropped from €2.6 million in 2019 to €0.5 million in 2020. This latter decrease was due to the higher impact of fixed costs on turnover to the detriment of overall profit margins, in addition to charges directly attributable to the COVID-19 pandemic and production under-absorption while the facilities were closed to curb the spread of the virus and protect the health and safety of people;
- Hapa AG's 2020 turnover remained stable (€49.1 million from €50.3 million in 2019), but its operating profit improved (€5.6 million in 2020 compared to €3.3 million in 2019). The increase in operating profit is linked to the higher impact of the after-sales

business on turnover, the strengthening of the profit margins on digital printing technology and lower indirect costs (chiefly due to restrictions on travel during the public health emergency);

- The Norden Group, which also includes Citus Kalix Sas, recorded turnover of €92.8 million, down on 2019 (€99.2 million). Its operating profit decreased to €11.0 million from €12.3 million in 2019, but improved as a percentage of goods sold during the year due to a different sales mix, with the growth in the Norden business offsetting the slowing of the Citus Kalix business as a result of the pandemic's impact on the cosmetics market, and the different sales mix with lower profit margins compared to 2019;
- The Flexlink Group ended 2020 with consolidated turnover of €228.6 million (€240.5 million in 2019) and an operating profit of €22.2 million (€20.1 million in 2019). The 2020 turnover is slightly down on the previous year while the operating profit increased, mainly as a result of an improved product mix during the year (especially in North America);
- R.A Jones & Co.'s 2020 turnover was €96.2 million (€102.5 million in 2019) and its operating profit amounted to €4.8 million (€8.6 million in 2019). The decrease in operating profit is related to losses recorded on certain projects. Volumes and profits are both expected to grow in 2021;
- MGS Corp.'s 2020 revenues were €24.6 million (€32.8 million in 2019) and its operating profit amounted to €1.9 million (€3.6 million in 2019). The drop in turnover, linked to the sluggish market, had a negative impact on operating profit. 2021 results are expected to be in line with 2020;
- The Emmeci Group ended 2020 with turnover of €19.9 million (€26.1 million in 2019) and an operating profit of €2.7 million (€5.3 million in 2019), down on the previous year due to the slowdown of the market which had performed particularly well in previous

years. The cosmetics and luxury segments were worst hit by the pandemic, while the games market improved considerably. The decrease in operating profit was specifically attributable to charges directly attributable to the COVID-19 pandemic and production under-absorption while the facilities were closed to curb the spread of the virus and protect the health and safety of people;

- The IPI Group's 2020 turnover came to €41.2 million (€43.3 million in 2019) and its operating loss amounted to €0.6 million (€1.3 million in 2019). The drop in the operating loss is mainly due to improved profit margins as a result of production and procurement efficiencies. Volumes are expected to grow in 2021;
- The Atlantic Zeiser Group ended 2020 with turnover of €26.9 million (€37.9 million in 2019) and an operating loss of €1.8 million (operating profit of €2.1 million in 2019). The downturn in volumes is mainly due to the slowdown in investments in digital printing machinery by customers, most notably in the consumer goods segment, due to the public health emergency. The group's after-sales segment and the Tritron ink business performed better than the machinery segment. The decline in operating profit is linked to the downturn in turnover and the resulting higher impact of fixed costs to the detriment of profit margins;
- The System Ceramics Group ended 2020 with turnover of €225.6 million (€232.0 million in 2019) and an operating profit of €8.4 million (€20.6 million in 2019). The decrease in operating profit is related to the fall in turnover during the year and the consequent higher impact of fixed costs as well as the non-recurring charges directly attributable to the COVID-19 pandemic and production under-absorption while the facilities were closed to curb the spread of the virus and protect the health and safety of employees. In addition, the increased competition on the market and different sales

mix had a negative impact on profit margins. Both sales volumes and operating results are expected to increase in 2021.

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 amount 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 can be confirmed for the Coesia Group in 2021 considering the trends in negotiations underway with customers and incoming orders expected for 2021. However, due to the prolonged COVID-19 public health emergency, although the group’s performance is expected to improve compared to 2020, it will not yet be at the same level as 2019. Expectations for the Advanced Automated Machinery & Materials business segment entail an increase in the main financial results, maintaining profitability thanks to the development of the product mix, the expansion of the sales coverage and efficiency programmes for processes. The Industrial Process Solutions business is expected to improve compared to 2020, with operating profit returning to pre-pandemic levels. Specifically, with regard to logistics and industrial production solutions, the very positive outlook on the American market, together with the effort to focus on the production units, confirms the forecast improvement in terms of volumes. With regard to digital printing, on the other hand, the projects aimed at increasing the profitability of the new machinery which already had a positive impact in 2020 will continue.

Bologna, 16 June 2021

On behalf of the BOARD OF DIRECTORS:

Isabella Seràgnoli

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 - R.E.A. 421928

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FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(figures shown in Euros)

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BALANCE SHEET	**31/12/2020**	**31/12/2019**
ASSETS		
(A) Share capital proceeds		
to be received	0	0
(B) Fixed assets		
I - Intangible fixed assets:		
4) Concessions, licences, trademarks and similar rights	133,504	158,043
7) Other	672,907	1,356,142
Total intangible fixed assets	**806,411**	**1,514,185**
II - Tangible fixed assets		
2) Plant and machinery	12,546	14,022
4) Other assets	64,777	69,193
Total tangible fixed assets	**77,323**	**83,215**
III - Financial fixed assets		
1) Equity investments:		
a) subsidiaries	1,100,095,515	1,068,507,159
b) associates	0	0
d-bis) other companies	1,000	1,000
Total equity investments	1,100,096,515	1,068,508,159
2) Financial receivables		
d-bis) from others		
- due after one year	45,100	50,500

Total financial receivables	45,100	50,500
3) Other securities		
- due within one year	0	0
- due after one year	6,365,279	5,207,260
Total other securities	6,365,279	5,207,260
Total financial fixed assets	**1,106,506,894**	**1,073,765,919**
Total fixed assets (B)	**1,107,390,628**	**1,075,363,319**
(C) Current assets		
I - Inventory	0	0
II - Receivables		
1) Trade receivables	0	0
2) From subsidiaries		
- due within one year	2,658,229	5,578,884
4) From parents		
- due within one year	11,858,245	7,351,510
5-bis) Tax receivables		
- due within one year	1,997,297	2,266,804
5-ter) Deferred tax assets		
- due after one year	8,380,727	4,054,722
5) From others		
- due within one year	112,535	280,511
Total receivables	**25,007,033**	**19,532,431**
III - Current financial assets		
6) Other securities	34,398,226	39,627,202
7) Financial assets from cash pooling arrangements	311,089,668	234,918,771
Total current financial assets	**345,487,894**	**274,545,973**
IV - Liquid funds		
1) Bank and postal accounts	636,979	1,398,731
3) Cash-in-hand and cash equivalents	3,952	4,154
Total liquid funds	**640,931**	**1,402,885**
Total current assets	**371,135,858**	**295,481,289**

(D) Prepayments and accrued income	**1,113,002**	**760,603**
TOTAL ASSETS	**1,479,639,488**	**1,371,605,211**

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	20,995,180	19,145,501
V - Statutory reserves	0	0
VI - Other reserves		
1) Extraordinary reserve	92,446,387	57,342,523
2) Translation reserve	137,033	96,994
3) Euro rounding reserve	1	3
Total other reserves	92,583,421	57,439,520
VII - Hedging reserves	(26,193,033)	(12,360,213)
VIII - Retained earnings/(losses carried forward)	0	0
IX - Net profit for the year	62,224,819	36,993,581
X - Reserve for own shares	0	0
Total net equity	**274,610,387**	**226,218,389**
(B) Provisions for risks and charges		
2) Tax provision, including deferred tax liabilities	24,304	62,066
3) Derivatives	34,772,131	16,263,438
4) Other provisions	0	2,543,000
Total provisions for risks and charges	**34,796,435**	**18,868,504**
(C) Employees' leaving entitlement	**127,627**	**148,127**
(D) Payables		
1) Bonds:		
- due within one year	100,000,000	0

- due after one year	0	100,000,000
Total bonds	100,000,000	100,000,000
4) Bank loans and borrowings		
- due within one year	12,494,402	49,978,044
- due after one year	960,254,063	876,604,857
Total bank loans and borrowings	972,748,465	926,582,901
7) Trade payables		
- due within one year	456,132	1,545,760
9) Payables to subsidiaries		
- due within one year	2,260,054	2,585,298
- due after one year	90,000,000	90,000,000
Total payables to subsidiaries	92,260,054	92,585,298
11-bis) Payables to subsidiaries of parents		
- due within one year	4,056	2,083
12) Tax payables		
- due within one year	374,522	1,163,366
13) Social security charges payable		
- due within one year	351,843	217,124
14) Other payables		
- due within one year	2,623,974	2,650,567
Total payables	**1,168,819,046**	**1,124,747,099**
(E) Accrued expenses and deferred income	**1,285,993**	**1,623,092**
TOTAL LIABILITIES	**1,479,639,488**	**1,371,605,211**

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PROFIT AND LOSS ACCOUNT	**2020**	**2019**
(A) Production revenues		
5) Other revenues and income	11,222,675	22,400,120
Total production revenues	**11,222,675**	**22,400,120**
(B) Production cost		
6) Raw materials	14,987	22,735
7) Services	9,835,739	26,646,064
8) Use of third party assets	435,357	366,405
9) Personnel expenses:		
a) wages and salaries	3,532,786	4,121,979
b) social security contributions	942,928	1,047,658
c) employees' leaving entitlement	191,406	210,631
d) pension and similar costs	0	0
e) other costs	15,942	16,898
Total personnel expenses	4,683,062	5,397,166
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	714,024	574,444
b) depreciation of tangible fixed assets	10,759	5,155
Total amortisation, depreciation and write-downs	724,783	579,599
13) Other provisions	0	0
14) Other operating costs	34,741	49,058
Total production cost	**15,728,669**	**33,061,027**
Operating loss	**(4,505,994)**	**(10,660,907)**
(C) Financial income and charges		
15) Income from investments in subsidiaries		
a) dividends	85,062,361	70,000,000
Total income from equity investments	85,062,361	70,000,000
16) Other financial income		
d) other income		

- other	564,065	729,987
- interest from subsidiaries	803	10,709
- interest from associates	0	29,946
Total other financial income	564,868	770,642
17) Interest and other financial charges		
- interest to subsidiaries	(2,526,926)	(2,520,000)
- other	(19,967,738)	(16,823,467)
- losses on sale	(85,062)	0
Total interest and other financial charges	(22,579,726)	(19,343,467)
17-bis) Net exchange rate losses	(516,025)	(15,770)
Net financial income	**62,531,478**	**51,411,405**
(D) Adjustments to financial assets		
18) Write-backs		
d) derivatives	765,385	0
19) Write-downs		
a) equity investments	0	(4,628,595)
c) financial fixed assets which are not equity investments	(1,000,000)	(4,454,307)
d) derivatives	(1,072,999)	0
Total adjustments to financial assets	**(1,307,614)**	**(9,082,902)**
Pre-tax profit	**56,717,870**	**31,667,596**
20) Income taxes, current and deferred	(22,280)	(2,013,787)
- income from participation in the national tax consolidation scheme	5,529,229	7,339,772
Total income taxes, current and deferred	**5,506,949**	**5,325,985**
21) Net profit for the year	**62,224,819**	**36,993,581**

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CASH FLOW STATEMENT FOR 2020 AND 2019

(in Euros)

	2020	2019
A. Cash flows from operating activities (indirect method)		
Net profit for the year	**62,224,819**	**36,993,581**
Income taxes	(5,506,949)	(5,325,985)
Net interest income	21,929,796	18,572,825
Dividends collected	(85,062,361)	(70,000,000)
Net losses (gains) on disposals of tangible, intangible and financial fixed assets	85,062	0
1. Net loss for the year before income taxes, interest, dividends and gains/losses on sale of assets	***(6,329,633)***	***(19,759,579)***
Adjustments for non-monetary items that did not affect net working capital		
Accruals to provisions for risks	0	0
Accruals to employees' leaving entitlement	191,406	210,631
Amortisation and depreciation	724,783	579,599
Write-downs for impairment losses	1,000,000	9,082,902
Fair value losses on derivatives	18,508,693	6,738,619
Decrease in hedging reserve	(13,832,820)	(5,128,134)
2. Cash flows before changes in net working capital	***262,429***	***(8,275,962)***
Changes in net working capital		
Decrease in trade payables	(1,089,628)	(636,130)
Decrease/(increase) in prepayments and accrued income	(352,399)	3,804,075
Decrease in accrued expenses and deferred income	(337,099)	(668,461)
Other changes in net working capital	(1,705,972)	(1,196,408)
3. Cash flows after changes in net working capital	***(3,222,669)***	***(6,972,886)***
Other adjustments		
Net interest paid	(22,241,370)	(19,241,286)
Income tax benefit	1,017,234	2,301,328
Dividends collected	85,062,361	70,000,000
Utilisation of employees' leaving entitlement	(211,906)	(130,059)
Utilisation of provisions	(543,000)	(6,814,000)
Cash flows from operating activities (A)	***59,860,650***	***39,143,097***
B. Cash flows from investing activities		
Intangible fixed assets		
Investments	(6,250)	(10,940)
Proceeds from disposals	0	0
Tangible fixed assets		
Investments	(4,867)	(88,370)
Proceeds from disposals	0	0
Financial fixed assets		
Investments	(32,858,020)	(326,938,536)
Proceeds from disposals	22,890	0
Current financial assets		
Investments	0	(552,505)
Proceeds from disposals	5,228,976	0
Financial assets from cash pooling arrangements		
Investments	(76,170,897)	(155,043,017)
Disposals	0	0
Cash flows used in investing activities (B)	***(103,788,168)***	***(482,633,368)***
C. Cash flows from financing activities		
New loans	377,322,673	496,859,105
Repayment of loans	(331,157,109)	0
Decrease in loans and borrowings with subsidiaries and associates	(3,000,000)	(3,000,000)
Interim dividends paid	0	(50,000,000)
Cash flows from financing activities (C)	***43,165,564***	***443,859,105***
Increase (decrease) in liquid funds (A ± B ± C)	**(761,954)**	**368,834**
Opening liquid funds	1,402,885	1,034,051
Closing liquid funds	640,931	1,402,885

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. 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 losses of certain items against profits of others. 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 the company's activities and 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 other companies.

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 2020, 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, trademarks 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 2020.

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 or 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 for impairment loss is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

Financial fixed assets

Equity investments and debt instruments which the company intends and has the capacity to hold in the long term are recognised under financial fixed assets. Otherwise, they are recognised under current assets. Transfers in or out of the two categories are recognised in accordance with the accounting policies applicable to the portfolio which the asset comes from. Receivables are recognised under fixed or current assets depending on their intended use in relation to the company's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed below.

Equity investments are measured at cost.

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

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

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

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

Receivables

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

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

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

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

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

When the company recognises receivables at amortised cost, their carrying amount at initial recognition is their nominal amount, unless discounting is necessary, as described later on, net of any bonuses, discounts and allowances, as well as any directly attributable transaction costs. The amortised cost calculation using the effective interest method includes transaction costs, commissions and any other difference between the receivables' initial carrying amount and the nominal amount at their due date. The effective interest rate is calculated upon initial recognition and maintained for subsequent measurements, except when variable rates indexed to market rates have been contractually agreed.

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

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

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

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

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

Current financial assets

Securities of a short-term investment nature are measured at the lower of acquisition or subscription cost and market value, which, in the case of listed securities, is the average price of the last month of the year. If there is no active market, the expected realisable value is estimated using appropriate valuation techniques, in order to identify the possible price for a hypothetical sale of the security at the reporting date. The estimate takes into account the performance of the relevant security's reference market.

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

Derivatives

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

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

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

At each year end, the company analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on its expected realisable value, whereas that of prepayments is based on the existence of future economic benefits matching the deferred costs.

Net equity

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

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

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

Provisions for risks and charges

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years.

Accruals to provisions for risks and charges are primarily recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature.

The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at each reporting date and is not discounted, except if the estimated amount and the date of disbursement can be reliably estimated.

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

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

Employees’ leaving entitlement

The Italian employees’ leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296/2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or company agreements which are not required to be repaid.

The related liability is the amount that the company would have paid had all employees left at the reporting date. The amount due to employees who had already left the company at the reporting date but that will be paid in the following year is reclassified to payables.

Payables

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

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

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

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

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

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

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

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

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 as financial income.

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 and income, costs and charges arising from foreign currency transactions are measured using the spot exchange rate ruling on the date of the relevant transaction.

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 ultimate parent IS.CO. S.r.l.'s national tax consolidation scheme for IRES (corporate income tax) 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, results of operations and cash flows.

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

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

OTHER INFORMATION

Waivers under article 2423.4 of the Italian Civil Code

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

Presentation of figures

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

Independent auditors' fees

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

Service type	Service provider	Beneficiary	Fees
Audit	KPMG S.p.A.	COESIA S.p.A.	61
Other services	KPMG S.p.A.	COESIA S.p.A.	15
Other attestation services	KPMG S.p.A.	COESIA S.p.A.	10
Total COESIA S.p.A.			**86**
Audit	KPMG S.p.A.	Subsidiaries	421
Audit	KPMG network	Subsidiaries	800
Other attestation services	KPMG S.p.A.	Subsidiaries	20
Other attestation services	KPMG network	Subsidiaries	5
Total subsidiaries			**1,246**
Total			**1,332**

NOTES TO ASSETS AND LIABILITIES

FIXED ASSETS

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

Other intangible fixed assets of €673 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.

Tangible fixed assets refer entirely to the plant and furniture of the Milan office.

FINANCIAL FIXED ASSETS

Investments in subsidiaries

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

	% of ownership at 31/12/2020	31/12/2020	31/12/2019
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%	34,306	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 TEKNIK HIZMETLER	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%	0	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%	46,555	38,555
EMMECI S.p.A.	100%	29,571	29,571
SYSTEM CERAMICS S.p.A.	60%	325,327	325,327
ATLANTIC ZEISER GMBH	100%	11,291	6,290
COESIA VENTURES S.r.l.	100%	2,910	2,210
TOTAL		**1,100,096**	**1,068,507**

The increases for the year mainly refer to capital injections, specifically:

- €5,000 thousand into the German subsidiary Atlantic Zeiser GmbH;
- €18,000 thousand into the Italian subsidiary ACMA S.p.A.;
- €8,000 thousand into the Italian subsidiary IPI S.r.l.;
- €700 thousand into the Italian subsidiary Coesia Ventures S.r.l..

The subsidiary 4S ENGINEERING S.r.l. was wound up in 2020.

No investments were sold for strategic purposes during the year.

The information about each subsidiary required by article 2427.1.5 of the Italian Civil Code is provided in the list attached to these financial statements (Annex V). Figures included in the annexes are taken from the financial statements at 31 December 2020 or draft financial statements at the same date, approved by the respective company bodies.

The difference between the carrying amount of the investments in Hapa AG, Coesia India Private Ltd., IPI S.r.l., Acma S.p.A. and Atlantic Zeiser GmbH 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 2020 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.

From others

This caption includes guarantee deposits of €45 thousand.

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 2020. 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

The company granted a quotaholder loan of €3,000 thousand to XPack S.r.l. in 2020. Based on the forecast future losses of the associate, this amount was written off using provisions accrued in 2019 and 2020 (€2,000 thousand and €1,000 thousand, respectively).

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 €11,858 thousand due from the consolidating entity IS.CO S.r.l..

Tax receivables

This caption includes a VAT receivable of €1,997 thousand.

Deferred tax assets

This caption refers to deferred taxes of €8,381 thousand, mainly related to 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 €2,398 thousand;
- Zurich, for an original amount of €5,000 thousand increased by another €5,000 thousand on 19 December 2017.

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. The units of the BNP/Cardiff policy were sold in 2020 for a total of €5,562 thousand.

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 €311,090 thousand, in line with the total amount of cash provided by the company.

Liquid funds

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

	Balance at	
	31/12/2020	31/12/2019
Bank and postal accounts	637	1,399
Cash-in-hand and cash equivalents	4	4
Total	641	1,403

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

PREPAYMENTS AND ACCRUED INCOME

This caption is primarily comprised of prepaid commitment fees of €1,034 thousand on the syndicated credit facility granted by banks together with the related loans detailed under "Bank loans and borrowings" below, to which reference should be made.

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 2020, 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 26 June 2020.

Changes to hedging reserves at 31 December 2020 are as follows:

	31/12/2019	Taken to the profit and loss account	Recognised in net equity	31/12/2020
- Cash flow hedges	(16,263)	1,072	(19,274)	(34,465)
- Tax effect	3,903	(257)	4,626	8,272
Total	(12,360)	815	(14,648)	(26,193)

PROVISIONS FOR RISKS AND CHARGES

This caption includes the tax provision, including deferred tax liabilities and the provision for derivatives. Other provisions at 31 December 2019 included the cost previously estimated for long-term incentives earmarked for the company's top management (fully written off during the year) in addition to the amount of expected future losses of the associate XPack S.r.l.. As mentioned in the section on receivables from associates, the company wrote off the quotaholder loan to XPack S.r.l. during the year, direct using the provision to cover future losses against assets.

Deferred tax liabilities totalling €24 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.

“Derivatives” include 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 31/12/2019	148
Accrual for the year	191
Transfers for the year	
Utilisation for entitlements and advances paid, payment to the INPS fund and supplementary pension funds	(211)
Balance at 31/12/2020	128

(in thousands of Euros)

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 shareholder loans

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

On 1 October 2014, the company issued and placed seven-year bond 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	Balance at 31/12/2020	Balance at 31/12/2019
Loans	972,748	926,583
Committed revolving credit facilities	0	0
Total	972,748	926,583

(in thousands of Euros)

of which:

Type	Balance at 31/12/2020	Due within one year	Due from one to five years	Due after five years
Loans	972,748	12,494	266,297	693,957
Committed revolving credit facilities	0	0	0	0
Total	972,748	12,494	266,297	693,957

(in thousands of Euros)

Bank loans totalling €972.8 million (nominal amount of €980 million) mainly include COESIA S.p.A.'s loans, of which €12.5 million is due in 2021, €25.0 million due in 2022, €25.0 million due in 2023, €203.8 million due in 2024, €12.5 million due in 2025 and €694.0 million due in 2026. All of the above loans are measured at amortised cost.

Loans increased on the previous year end due to:

- two new loans, one granted in January 2020 for €180 million due in 2024 and one granted in April 2020 for €200 million due in 2026;
- the repayment of four different loans, totalling €330 million, which were due in 2020-2022.

These actions enabled the company and the Coesia Group to extend their average payment dates. 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 2020. Interest accrues at market rates on all loans.

The derivatives in place at 31 December 2020 are as follows:

- 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 the 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 2020 showed a loss of approximately €873 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 the 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 2020 showed a loss of approximately €1,390 thousand, which was recognised under “Provisions for risks and charges”, with a balancing entry under the “Hedging reserve”;
- four derivatives to hedge interest rate risk. With a notional amount of €180 million, the derivatives started on 8 January 2020 and expire on 20 December 2024. Under such derivatives, the company undertakes to pay/collect the differential between the 3-month Euribor and the fixed rate of -0.01% on a quarterly basis. They were agreed to hedge the syndicate loan agreement signed on 20 December 2019 and paid out on 8 January 2020.

The market valuation of such transaction at 31 December 2020 showed a loss of approximately €3,533 thousand, which was recognised under “Provisions for risks and charges”, with a balancing entry under the “Hedging reserve”;

- four derivatives to hedge interest rate risk. With a notional amount of €200 million, the derivatives started on 30 April 2020 and expire on 31 December 2026. Under such derivatives, the company undertakes to pay/collect the differential between the 3-month Euribor and the fixed rate of 0.0175% (average) on a quarterly basis. They were agreed to hedge the syndicate loan agreement signed on 15 April 2020 and paid out on 30 April 2020. The market valuation of such transaction at 31 December 2020 showed a loss of approximately €5,328 thousand, which was recognised under “Provisions for risks and charges”, with a balancing entry under the “Hedging reserve”;
- nine derivatives to hedge interest rate risk for a total notional amount of €475 million, expiring on 31 December 2026. Under such derivatives, the company undertakes to pay/collect the differential between the 3-month Euribor and the fixed rate of 0.3608% (average of the nine derivatives) on a quarterly basis. They were agreed to hedge the term credit facility part of the syndicated loan agreement signed in July 2018 and paid out in January 2019. The market valuation of such transactions at 31 December 2020 showed a loss of approximately €23,340 thousand, which was recognised under “Provisions for risks and charges”, with a balancing entry under the “Hedging reserve”;
- a derivative measured at fair value and originally signed in 2017 to hedge the interest rate risk related to a loan agreed in 2017, originally expiring in 2021 but fully repaid on 8 January 2020. With a notional amount of €75 million, the derivative started on 12 May 2017 and expires on 12 May 2021. Under such derivative, the company undertakes to pay/collect the differential between the 3-month Euribor and the fixed rate of 0.145% on a quarterly basis. The market valuation of such transaction at 31 December 2020 showed a loss of approximately €186 thousand, which was recognised under “Provisions for risks

and charges";

- a derivative measured at fair value and originally signed in 2017 to hedge the interest rate risk related to a loan agreed in 2017, originally expiring in 2021 but fully repaid on 8 January 2020. With a notional amount of €75 million, the derivative started on 11 April 2017 and expires on 11 April 2021. Under such derivative, the company undertakes to pay/collect the differential between the 3-month Euribor and the fixed rate of 0.035% on a quarterly basis. The market valuation of such transaction at 31 December 2020 showed a loss of approximately €122 thousand, which was recognised under "Provisions for risks and charges".

Trade payables

Trade payables amount to €456 thousand at 31 December 2020. The decrease from the previous year-end balance (€1,546 thousand) is related to lower service costs incurred in the last quarter of 2020 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):

	31/12/2020	31/12/2019

Withholdings on employees, freelancers and consultants	375	1,163
Total	375	1,163

The years from 2016 on are still open to inspection by the tax authorities for direct tax and VAT purposes. Company management does not believe that the years open to inspection will lead to any significant liabilities not recognised in the financial statements.

Social security charges payable

This caption mainly relates to payables due to social security institutions for contributions relating to December remuneration amounting to €352 thousand.

Other payables

This caption mainly includes payables for employee remuneration of €1,151 thousand and the residual payable of €1,469 thousand for the acquisition of the majority investment in 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 (€892 thousand), accrued commitment fees on the unused credit facility (€37 thousand) and accrued expenses on interest rate swaps (€345 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).

	31/12/2020	31/12/2019

- Sureties in favour of subsidiaries	0	490
- Sureties in favour of third parties	205,285	204,800
Total	**205,285**	**205,290**

Sureties in favour of third parties at 31 December 2020 mainly refer for €204,800 thousand to guarantees given to the seller of System Ceramics S.p.A. regarding the possible strike of the put option for the remaining 40% of the shares, in accordance with the acquisition agreement signed by the parties. These sureties were settled following the finalisation of the acquisition of the 40% minority investment in System Ceramics S.p.A., as described in more detail in the directors' report, following the payment of the first instalment of the acquisition price and the granting of a pledge on 20% of the company's shares to guarantee payment of the earn-out, if any, until it is settled.

NOTES TO THE PROFIT AND LOSS ACCOUNT

PRODUCTION REVENUES

This caption mainly relates to revenues from subsidiaries for services provided (€6,559 thousand) and costs to be recharged (€3,499 thousand). Such transactions, performed on an arm's length basis and totalling €10,058 thousand, are detailed in "Annex VI". It also includes the release of the provision for risks of €543 thousand.

PRODUCTION COST

This caption is mainly comprised of service costs totalling €9,836 thousand (2019: €26,646 thousand), principally for directors' fees (€512 thousand), management and control activities (€2,693 thousand), consultancy services (€1,669 thousand), statutory auditors' fees (€110 thousand), employee travel expenses (€47 thousand) and entertainment costs (€45 thousand).

It also includes costs of €3,499 thousand to be recharged to the group companies.

The decrease on 2019 is mainly due to lower consultancy services received for strategic activities during the year and lower directors' fees paid out in 2020.

"Annex VI" lists the costs incurred for services provided by the subsidiaries.

Personnel expenses

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

	2020	2019
Wages and salaries	3,533	4,122
Social security contributions	943	1,048
Employees' leaving entitlement	191	211
Other costs	16	17
Total	4,683	5,398

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

	31/12/2020	31/12/2019	2020 average
Managers	8	8	8
White collars	12	15	13
Total	20	23	21

FINANCIAL INCOME AND CHARGES

INCOME FROM EQUITY INVESTMENTS

This caption includes dividends approved and collected in the year from the Italian subsidiary G.D S.p.A. (€80,000 thousand), the Swiss subsidiary HAPA AG (€3,062 thousand) and the Spanish subsidiary Volpak S.A. (€2,000 thousand).

OTHER FINANCIAL INCOME

This caption mainly includes the accrued return on the whole-life insurance policies (€564 thousand).

INTEREST AND OTHER FINANCIAL CHARGES

This caption includes interest expense on bonds of €3,000 thousand, interest expense, charges for derivatives and bank charges on loans and credit facilities of €16,968 thousand. It also includes interest expense on the loan from the subsidiary Coesia Finance S.p.A. (€2,527 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

This caption mainly refers to the write-off of the quotaholder loan to the associate XPACK S.r.l. based on its estimated future losses, as highlighted in the notes to the balance sheet.

INCOME TAXES

This caption is comprised of income of €5,529 thousand arising from the adoption of the national tax consolidation scheme described earlier on and is reduced by net deferred tax expense and taxes relative to prior years of €22 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

On 23 February 2021, the board of directors of COESIA S.p.A. appointed Alessandro Parimbelli as Chief Executive Officer of the Coesia Group.

The company finalised the acquisition of the remaining 40% investment in System Ceramics S.p.A. on 9 June 2021.

ALLOCATION OF THE NET PROFIT FOR 2020

The financial statements as at and for the year ended 31 December 2020, which we submit for your approval, show a net profit of €62,224,819.17, net of all charges relating to the year. We propose that the net profit be allocated as follows:

- €3,111,240.96 to the legal reserve;
- €59,113,578.21 to the extraordinary reserve.

ANNEXES

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

The following information is included in these annexes:

- Statement of changes in intangible fixed assets for the year ended 31 December 2020 (Annex I);
- Statement of changes in tangible fixed assets for the year ended 31 December 2020 (Annex II);
- Statement of changes in financial fixed assets for the year ended 31 December 2020 (Annex III);
- Statement of changes in net equity for the years ended 31 December 2020, 2019 and 2018

(Annex IV);

- List of investments in subsidiaries at 31 December 2020 as per article 2427.5 of the Italian Civil Code (Annex V);
- Summary of related party transactions at 31 December 2020 (Annex VI);
- Breakdown of net equity captions in accordance with article 2427.7-bis of the Italian Civil Code at 31 December 2020 (Annex VII).

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

Bologna, 16 June 2021

On behalf of the BOARD OF DIRECTORS:

Isabella Seràgnoli

Annex I

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Euros)

	Balance at 31 December 2019			Changes for the year			Balance at 31 December 2020		
	Historical cost	Accumulated amortisation	Carrying amount	Increase	Decrease	Amortisation	Historical cost	Accumulated amortisation	Carrying amount
Intangible fixed assets:									
Concessions, licences, trademarks and similar rights	1,125	(967)	158	6		(30)	1,131	(997)	134
Deferred charges	9,712	(8,356)	1,356	-		(683)	9,712	(9,039)	673
Total intangible fixed assets	**10,837**	**(9,323)**	**1,514**	**6**	**0**	**(713)**	**10,843**	**(10,036)**	**807**

Annex II

STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Euros)

	Balance at 31 December 2019			Changes for the year			Balance at 31 December 2020		
	Historical cost	Accumulated depreciation	Carrying amount	Increase	Decrease	Depreciation	Historical cost	Accumulated depreciation	Carrying amount
Tangible fixed assets:									
Plant and machinery	15	(1)	14			(1)	15	(2)	13
Other assets	74	(5)	69	5		(10)	79	(15)	64
Total tangible fixed assets	**89**	**(6)**	**83**	**5**	**0**	**(11)**	**94**	**(17)**	**77**

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Euros)

	Balance at 31 December 2019				Changes for the year			Balance at 31 December 2020			
Subsidiaries measured at cost:	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 at
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	18,000			82,368	(48,062)		34,306
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)		0			0
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	8,000			46,555			46,555
EMMECI S.p.A.	29,571			29,571				29,571			29,571
Coesia Ventures S.r.l.	2,210			2,210	700			2,910			2,910
ATLANTIC ZEISER GMBH	6,291			6,291	5,000			11,291			11,291
System Ceramics S.p.A.	325,327			325,327				325,327			325,327
Total investments in subsidiaries	**1,115,985**	**(48,855)**	**1,378**	**1,068,508**	**31,700**	**(112)**	**0**	**1,147,573**	**(48,855)**	**1,378**	**1,100,096**

	Balance at 31 December 2019				Changes for the year			Balance at 31 December 2020			
Associates measured at cost:	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 at
XPack S.r.l.	2,629	(2,629)	0	0	0	0	0	2,629	(2,629)	0	0
Total investments in associates	**2,629**	**(2,629)**	**0**	**0**	**0**	**0**	**0**	**2,629**	**(2,629)**	**0**	**0**

Annex IV

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020, 2019 AND 2018
(in thousands of Euros)

			OTHER RESERVES								
	SHARE CAPITAL	LEGAL RESERVE	NEGATIVE GOODWILL	AS PER LAW NO. 904/77	EXTRAORDINARY RESERVE	UNAVAILABLE INCOME-RELATED RESERVES	CAPITAL INJECTION FOR FUTURE SHARE CAPITAL INCREASE	RETAINED EARNINGS (LOSSES CARRIED FORWARD)	HEDGING RESERVE	NET PROFIT FOR THE YEAR	TOTAL NET EQUITY
Balance at 31 December 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)
- unavailable income-related reserves											
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)					
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
Shareholders’ decision at the ordinary meeting of 26 June 2020 allocation of net profit:											
- legal reserve		1,850								(1,850)	0
- extraordinary reserve					35,104					(35,104)	0
- distribution of dividends											0
- unavailable income-related reserves						40				(40)	
Hedging reserve									(13,833)		(13,833)
Net profit for 2020										62,225	62,225
Balance at 31 December 2020	125,000	20,995	0	0	92,447	137	0	0	(26,193)	62,225	274,611

LIST OF INVESTMENTS IN SUBSIDIARIES

AT 31 DECEMBER 2020 (ARTICLE 2427.5 OF THE ITALIAN CIVIL CODE)

COMPANY	% OF OWNERSHIP	REGISTERED OFFICE	SHARE/QUOTA CAPITAL	NET EQUITY		NET PROFIT (LOSS) FOR THE YEAR		Measured using the equity method as per article 2426.4 of the Italian Civil Code	CARRYING AMOUNT	PROVISION TO COVER LOSSES	DIFFERENCE
				TOTAL AMOUNT	PROPOR-TIONATE AMOUNT	TOTAL AMOUNT	COMPANY'S SHARE				
								A	B	C	A - B – C
SUBSIDIARIES											
G.D S.p.A.	100.00%	Bologna	€4,000 thousand	665,124	665,124	42,994	42,994	874,747	214,726		660,021
ACMA S.p.A.	100.00%	Bologna	€9,300 thousand	8,678	8,678	(23,158)	(23,158)	31,238	34,306		(3,068)
CIMA S.p.A.	100.00%	Villanova (Bologna)	€4,810 thousand	29,239	29,239	436	436	29,183	22,000		7,183
GDM S.p.A.	100.00%	Bologna	€1,500 thousand	41,803	41,803	1,785	1,785	47,472	6,330		41,142
Volpak SA	100.00%	Barcelona (Spain)	€9,900 thousand	40,211	40,211	3,249	3,249	42,715	14,706		28,009
Laetus Mexico S de RL (1)	100.00%	Mexico City (Mexico)	MXN322,500	1,965	1,965	212	212	1,965	3		1,962
Hapa AG (1)	100.00%	Volketswill (Switzerland)	CHF1,000,000	9,164	9,164	2,218	2,218	11,810	16,316		(4,506)
GD Teknik Hizmetler ve Ticaret Ltd Sirketi (1)	0.01%	Izmir (Turkey)	TRY500,000	11,101	1	1,469	0	1	0		1
Norden Machinery AB (2)	100.00%	Stockholm (Sweden)	SEK112,000	56,492	56,492	7,331	7,331	66,372	35,813		30,559
COESIA FINANCE S.p.A.	100.00%	Bologna	€120 thousand	36,844	36,844	2,802	2,802	36,844	20,120		16,724
Flexlink Holding AB (2)	4.70%	Gothenburg (Sweden)	SEK3,285,000	217,196	217,196	12,803	12,803	214,215	153,358		60,857
Coesia India Private Limited (1)	100.00%	Pune (India)	INR521,291	3,391	159	323	15	159	370		(211)
R.A JONES & CO (1)	100.00%	Davenport (USA)	USD10	225,403	225,403	3,485	3,485	196,265	166,394		29,871
IPI S.r.l.	100.00%	Perugia	€13,000 thousand	13,918	13,918	(3,117)	(3,117)	38,852	46,555		(7,703)
EMMECI S.p.A.	100.00%	Cerreto Guidi (Florence)	€4,000 thousand	13,510	13,510	(1,433)	(1,433)	46,568	29,571		16,997
Coesia Ventures S.r.l.	100.00%	Bologna	€10 thousand	2,743	2,743	(179)	(179)	3,110	2,910		200
ATLANTIC ZEISER GmbH (2)	100.00%	Emmingen (Germany)	€5,000 thousand	1,158	1,158	(5,694)	(5,694)	7,215	11,291		(4,076)
System Ceramics S.p.A. (2)	60.00%	Fiorano (MO)	€10,000 thousand	205,793	123,476	14,636	8,782	336,265	325,327		10,938
TOTAL SUBSIDIARIES				1,583,733	1,487,084	60,162	52,531	1,984,995	1,100,096	0	884,900

(1) With the exception of share/quota capital, the figures are based on financial statements figures at 31 December 2020 translated at the exchange rates ruling at the reporting date and, for the net profit, at the average exchange rate of the year.
(2) The figures refer to the consolidated financial statements at 31 December 2020

SUMMARY OF RELATED PARTY TRANSACTIONS

AT 31 DECEMBER 2020

(in thousands of Euros)

	BALANCE SHEET			PROFIT AND LOSS ACCOUNT				
	CASH POOLING RECEIVABLE	RECEIVABLES	PAYABLES	OTHER REVENUES AND INCOME	FINANCIAL INCOME	USE OF THIRD-PARTY ASSETS	FINANCIAL CHARGES	DIVIDENDS
Parent								
IS.CO S.r.l.		11,858						
TOT. PARENT	**0**	**11,858**	**0**	**0**	**0**	**0**	**0**	**0**
Subsidiaries								
G.D S.p.A.		850	469	2,749		(2,102)		80,000
IPI S.r.l.		125	22	218				
EMMECI S.p.A.		26	11	86				
4S ENGINEERING S.r.l.			1	1				
CIMA S.p.A.		73		103				
System Ceramics S.p.A.		11		884				
ACMA S.p.A.		38	291	527		(50)		
GDM S.p.A.		90	3	307				
COESIA FINANCE S.p.A.	311,090	204	90,635	214	1		(2,527)	
HAPA AG		26	(14)	251				3,062
ATLANTIC ZEISER GMBH		9	45	145				
COESIA IPS CGM S de RL de CV		24		23				
NORDEN MACHINERY AB		54	14	449				
R.A JONES & CO. INC		38	102	423		(172)		
VOLPAK S.A.		47		362				2,000
Indirect subsidiaries								
FLEXLINK AB		238	144	1,976		(14)		
ADMV SAS		16						
CERULEAN SHANGAI COMPANY LTD				2				
CITUSKALIX SAS		46		178				
COESIA INDIA PVT. LTD		23		21				
COESIA KOREA		2		2				
COESIA NAM Shared Services LLC		230	334	243		(1,023)		
COMAS S.p.A.		2	76	64				
COMESCA S.r.l.		42		38				
EMMECI Europe S.a.r.l.				4				
EMMECI USA LLC		3		3				
FLEXLINK ENGINEERING SDN BHD				13				
FLEXLINK SYSTEMS GmbH			4			(4)		
FLEXLINK SYSTEMS KFT			8			(76)		
FLEXLINK SYSTEMS LLC - UKRAINE		1						
FLEXLINK SYSTEMS PTE LTD		187		145				
FLEXLINK SYSTEMS S.p.A.		15	28	14		(232)		
FRANSSONS MASKINBEARBETNING I KALMAR AB				3				
G.D AUTOMATIC MACHINERY LTD. UK				2				
G.D AUTOMATISCHE VERRPACKUNGSMASCHINEN GmbH				14				
G.D CHINA AUTOMATIC MACHINERY LIMITED LTD				8				
G.D DO BRASIL MAQUINAS DE EMBALAR LTDA		27		59				
G.D JIDOKIKAY K.K.				22				
G.D Poland Sp. zo.o.				5				
G.D TECH.CENTER MIDDLEEAST FZE		20		6				
G.D USA INC				39				
GD MACHINERY SOUTH EAST SINGAPORE		3		3				
GD SOUTH AFRICA TECHNICAL CENTRE				7				
GD TEKNIK HIZMETLER VE TICARET LIMITED SIRKETI				34				
GF S.p.A.		27	4	50				
LESINA AUTONOLEGGIO				3		(8)		
MGS Machinery LTD			41	145				
MOLINS S.R.O.				23				
MPRD LTD		75	25	70				
NOVA PREFABBRICATI S.r.l.				2				
PT GD INDONESIA PT		34		34				
SASIB S.p.A.		37	12	70				
SIRIUS MACHINERY (SUZHO) CO LTD		10		10				
TOSILAB				4				
TRITRON GmbH		5	5					
TOTAL SUBSIDIARIES	**311,090**	**2,658**	**92,260**	**10,058**	**1**	**(3,681)**	**(2,527)**	**85,062**
Associates								
XPACK S.r.l.	0	0	0	0	0	0	0	0
TOTAL ASSOCIATES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Annex VII

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

AT 31 DECEMBER 2020 (thousands of Euros)

	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	20,995	B		0
Reserve for own shares				
Unavailable income-related reserve	137			
Hedging reserve	(26,193)			
Translation reserve				
Extraordinary reserve	92,447	A, B, C	66,253	0
Reserve as per waiver under article 2423.4				
Retained earnings (losses carried forward)				0
TOTAL	**212,386**		**66,253**	
distributable portion			**66,253**	**0**

Key:

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