IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) purchasing the securities in an offshore transaction outside the United States in reliance on Regulation S. The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that:

(1) you consent to delivery of such offering memorandum by electronic transmission, and

(2) either:

  (a) you and any customers you represent are QIBs, or

  (b) the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States (as defined in Regulation S).

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that the following offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

You may not transmit the following offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the explicit consent of the Initial Purchasers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Under no circumstances shall the following offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Initial Purchaser or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such an Initial Purchaser or affiliate on behalf of Officine Maccaferri S.p.A. in such jurisdiction.

The offering memorandum has not been submitted to the Commissione Nazionale per le Società e la Borsa, the Italian Securities Exchange Commission ("**CONSOB**"), for clearance and will not be subject to formal review or clearance by the CONSOB pursuant to the Italian securities legislation. The notes may not be offered, sold or delivered, directly or indirectly, nor may copies of the following offering memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*) as defined by Article 26, first paragraph, letter d) of the CONSOB Regulation No. 16190 October 29, 2007, as amended, pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Securities Act**") and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**CONSOB Regulation on Issuers**");

(b) in other circumstances which are exempted from the rules on offerings of securities pursuant to the Italian Securities Act and/or CONSOB Regulation on Issuers.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

The following offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Initial Purchasers, nor any person who controls either of them, nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

The information in the following offering memorandum is not complete and may be changed. The following offering memorandum is not an offer to sell these securities and it is not soliciting offers to buy these securities in any jurisdiction where such offer or sale is not permitted.

OFFERING MEMORANDUM

NOT FOR GENERAL CIRCULATION IN THE UNITED STATES CONFIDENTIAL

MACCAFERRI

OFFICINE MACCAFERRI S.p.A.

€200,000,000 5.75% Senior Notes due 2021

Guaranteed on a senior basis by certain of its subsidiaries

Officine Maccaferri S.p.A., incorporated as a joint stock company (*società per azioni*) under the laws of the Republic of Italy (the "**Company**") is offering (the "**Offering**") €200,000,000 aggregate principal amount of its 5.75% Senior Notes due 2021 (the "**Notes**"). Each of the Guarantors, as described herein, will guarantee the due and punctual payment of all amounts due and payable in respect of the Notes (the "**Note Guarantees**"). The Notes will be issued pursuant to an indenture to be dated on or around June 5, 2014 (the "**Indenture**") among, *inter alios*, the Company, the Guarantors, and Deutsche Trustee Company Limited as trustee.

The Notes will bear interest at a rate of 5.75% per annum. Interest will be payable on the Notes semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2014. The Notes will mature on June 1, 2021. At any time on or after June 1, 2017, the Company may redeem all or a portion of the Notes by paying a specified premium. Prior to June 1, 2017, the Company may also redeem all or part of the Notes if the Company pays a "make-whole" premium. In addition, on or before June 1, 2017, the Company may also redeem up to 35% of the Notes with the net proceeds from one or more equity offerings. If the Company undergoes a change of control or sells certain of its assets, the Company may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Company may redeem all, but not less than all, of the Notes. See "*Description of the Notes*" for further information.

The Notes will be senior obligations of the Company and will rank equal in right of payment with all of the Company's existing and future senior indebtedness and will rank senior to all of the Company's future indebtedness that is subordinated in right of payment to the Notes. The Notes will be guaranteed on a senior basis by each of the Guarantors. The Note Guarantees will rank equal in right of payment with all of each Guarantor's existing and future unsubordinated indebtedness and will rank senior to each Guarantor's future indebtedness that is subordinated in right of payment to the Notes. The Note Guarantees will be subject to significant contractual and legal limitations that may limit its enforceability, and the Note Guarantees may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes and Note Guarantees*" and "*Limitations on Validity and Enforceability of the Note Guarantees and Certain Insolvency Law Considerations*".

Subject to and as set forth in "*Description of the Notes—Additional Amounts*," the Company will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Company or the Guarantors. Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a noteholder is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified by the Italian tax authorities in Ministerial Decree of September 4, 1996 and in the Ministerial Decree to be issued as per Article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) (a "**white list country**") and such noteholder complies with certain certification requirements, there is no assurance that this will be the case. Moreover, noteholders will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the white list countries.

This offering memorandum (the "**Offering Memorandum**") includes information on the terms of the Notes and the Note Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

There is currently no public market for the Notes. Application has been made for the listing particulars to be approved by the Irish Stock Exchange and to admit the Notes to the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market of the Irish Stock Exchange. This Offering Memorandum constitutes a Listing Particulars for the purposes of listing on the Official List of the Global Exchange Market.

The Notes will be represented on the Issue Date by one or more global notes, which will be delivered through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about June 5, 2014 (the "**Issue Date**"). See "*Book-Entry, Delivery and Form*".

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 18.

Issue Price: 100.0% plus accrued interest, if any, from the Issue Date

Neither the Notes nor the Note Guarantees have been or will be registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), and to non U.S. persons outside the United States in accordance with Regulation S under the U.S. Securities Act of 1933, as amended. See "*Notice to Investors*" and "*Plan of Distribution*" for additional information about eligible offerees and transfer restrictions.

Joint Bookrunners

Credit Suisse **Banca IMI** **BNP PARIBAS** **UniCredit Bank**

The date of this Offering Memorandum is May 29, 2014.

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IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This Offering Memorandum is confidential. The Company has prepared this Offering Memorandum solely for use in connection with the proposed offering of the Notes. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the offeree and any person retained to advise such offeree with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the Company's prior written consent, is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

Credit Suisse Securities (Europe) Limited, BNP Paribas, Banca IMI S.p.A. and UniCredit Bank AG (the "**Initial Purchasers**"), the Trustee and the Paying Agent make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this Offering Memorandum. Nothing contained in this Offering Memorandum is or should be relied upon as a promise or representation by the Initial Purchasers as to the past or the future. You agree to the foregoing by accepting this Offering Memorandum.

Except as provided below, we accept responsibility for the information contained in this Offering Memorandum. We have made all due inquiries and confirm that to the best of our knowledge and belief, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*", is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While each of the Company and the Guarantors accepts responsibility for accurately summarizing the information concerning Euroclear and Clearstream, neither the Company nor any Guarantor accepts further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Company. The information in this Offering Memorandum is current only as of the date on its cover, and may change after that date. For any time after the cover date of this Offering Memorandum, neither the Company nor any Guarantor represents that its affairs are the same as described or that the information in this Offering Memorandum is correct, nor does the Company or any Guarantor imply those things by delivering the Offering Memorandum or selling Notes to you. References to any website contained herein do not form a part of this Offering Memorandum.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Company for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

You may not use any information herein for any purpose other than considering an investment in the Notes.

The Company reserves the right to withdraw this offering of the Notes at any time. The Company and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser.

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

This Offering Memorandum is not an offer to sell the Notes and it is not soliciting an offer to buy any Notes in any jurisdiction in which such offer or sale is not permitted.

The distribution of this Offering Memorandum and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. None of the Company, the Guarantors or the Initial Purchasers represent that

this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. None of the Company, the Guarantors or the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. In particular, no action has been taken by any of the Company or the Initial Purchasers which would permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States and the United Kingdom and to persons connected therewith. See "*Transfer Restrictions*". We do not make any representation to you that the Notes are a legal investment for you.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

The Company has applied to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange. The Company cannot guarantee that its application for the listing of the Notes on the Official List of the Irish Stock Exchange and admission to trading on the Global Exchange Market of the Irish Stock Exchange will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (OR PERSONS ACTING ON BEHALF OF CREDIT SUISSE SECURITIES (EUROPE) LIMITED) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT CREDIT SUISSE SECURITIES (EUROPE) LIMITED (OR PERSONS ACTING ON BEHALF OF CREDIT SUISSE SECURITIES (EUROPE) LIMITED) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to Investors in the United States

This Offering Memorandum is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

For this Offering, the Company, the Guarantors and the Initial Purchasers are relying upon exemptions from registration under the U.S. Securities Act for offers and sales of securities which do not involve a public offering,

including Rule 144A under the U.S. Securities Act. Prospective investors are hereby notified that sellers of the Notes and Note Guarantees may be relying on the exemption from the provision of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the U.S. Securities Act and applicable U.S. state securities laws. See "*Transfer Restrictions*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN EUROPEAN INVESTORS

United Kingdom. This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of Article 5 of Directive 2003/71/EC (the "**Prospectus Directive**").

Italy. No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Legislative Decree No. 58 of February 24, 1998, as subsequently amended (the "**Italian Securities Act**"). Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Company, the Guarantors, the Notes or the Note Guarantees may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold in the Republic of Italy either on the primary or on the secondary market to any natural persons nor to entities other than qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of the Italian Securities Act and Article 34-*ter*, paragraph 1, letter b) of Regulation No. 11971 of May 14, 1999 as amended (the "**CONSOB Regulation on Issuers**") issued by CONSOB or unless in circumstances which are exempt from the rules on public offers pursuant to the Italian Securities Act and the implementing CONSOB regulations, including the CONSOB Regulation on Issuers.

The Notes may not be offered, sold or delivered and neither this Offering Memorandum nor any other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Offering Memorandum or any other material relating to the Notes in Italy is made in one of the following ways: (a) by investment firms, banks or financial

intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No 385 of September 1, 1993 as amended, the Italian Securities Act, CONSOB Regulation No. 16190 of October 29, 2007 as amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority. Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

Grand Duchy of Luxembourg. This Offering Memorandum has not been approved by and will not be submitted for approval to the *Commission de Surveillance du Secteur Financier* for purposes of public offering or sale in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Grand Duchy of Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which are not subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended.

France. This Offering Memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of Article L. 411-1 of the French *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the French financial markets authority) (the "**AMF**"). Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and neither this offering memorandum nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The Notes may only be offered or sold in France to qualified investors (*investisseurs qualifiés*) acting for their own account and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined in and in accordance with Articles L. 411-1, L. 411-2, D. 411-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

Prospective investors are informed that:

- this Offering Memorandum has not been and will not be submitted for clearance to the AMF;
- in compliance with Articles L. 411-2, D. 411-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*, any qualified investors subscribing for the Notes should be acting for their own account; and
- the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 through L. 621-8- 3 of the French *Code Monétaire et Financier*.

Belgium. This Offering Memorandum has not been and will not be notified to or approved by the Belgian Financial Services and Markets Authority.

The Notes may not, whether directly or indirectly, be offered, sold, transferred or delivered in Belgium, as part of their initial distribution or at any time thereafter, by way of a public offering in Belgium except under the exemptions provided in Article 3, section 2 of the Belgian Act of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market, as amended (the "**Belgian Prospectus Act**"), *i.e.* by way of an offer: (a) to qualified investors within the meaning of Article 10 of the Belgian Prospectus Act and the Royal Decree of September 26, 2006 relating to the register of eligible investors and adapting the concept of eligible investors; (b) to less than 150 natural persons or legal entities which are not qualified investors per Member State of the European Economic Area; (c) requiring a total consideration of at least €100,000 per investor, for each separate offer; (d) of Notes with a denomination per unit of at least 100,000; or (e) of Notes with a total transaction value of less than €100,000 in the European Economic Area, this limit being calculated over a period of 12 months.

For the purposes of this provision, the expression "offer of Notes to the public" in relation to any Notes in Belgium means the communication, in any form and by any means, presenting sufficient information on the terms of the offering and the offer of Notes to be offered so as to enable an investor to decide to purchase or subscribe the offer of Notes.

Germany. The Offering is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the "**Securities Prospectus Act**"), as amended, the Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended, and any other applicable German law. No application will be made under German law to permit a public offer of Notes in the Federal Republic of Germany. This Offering Memorandum has not been approved for purposes of a public offer of the Notes and accordingly the Notes may not be, and are not being, offered or advertised publicly or by public promotion in Germany. Therefore, this Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to and this Offering Memorandum and any other offering material in relation to the Notes is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht)* ("**BaFin**") or obtain a notification to the BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the Securities Prospectus Act.

The Netherlands. In The Netherlands, the Notes may only be offered to qualified investors (*gekwalificeerde beleggers*) within the meaning of section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). This Offering Memorandum has not been approved by, registered or filed with, The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*).

Norway. This Offering Memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Norwegian Securities Trading Act (*Norw. Lov om verdipapirhandel, L29.06.2007 nr 75*) nor any other Norwegian enactment. Neither the Norwegian Financial Supervisory Authority (*Norw. Finanstilsynet*) nor any other Norwegian public body has examined, approved or registered this Offering Memorandum or will examine, approve or register this Offering Memorandum. Accordingly, this offering memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Norway other than in circumstances that are deemed not to be an offer to the public which would require a prospectus under the Norwegian Securities Trading Act.

Sweden. This Offering Memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*Sw. lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this Offering Memorandum or will examine, approve or register this Offering Memorandum. Accordingly, this Offering Memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public which would require a prospectus under the Swedish Financial Instruments Trading Act.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding the Company and its subsidiaries (collectively, the "**Group**") future financial position and results of operations, their strategies, plans, objectives, goals and targets, future developments in the markets in which the Group participates or is seeking to participate or anticipated regulatory changes in the markets in which the Group operates or intends to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should," or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that its actual results of operations, including its financial condition and liquidity and the development of the industries in which the Group operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if the Group's results of operations, including its financial condition and liquidity and the development of the industry in which it operates, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- Our business depends on the levels of capital investments, which are affected by factors such as the state of domestic and global economies, our customers' liquidity and the condition of global credit and capital markets.
- The vast majority of our revenue comes directly or indirectly from public sector spending. Therefore, any decrease in investments by governments or other public authorities may harm the demand for our products.
- Some of our customers operate in highly cyclical industries where periodic downturns reduce their demand for our products.
- We operate in a competitive industry, and pressure on pricing and/or our inability to compete could adversely affect our business, results of operations and financial condition.
- Our business is subject to fluctuations in the price and availability of raw materials.
- Unfavorable fluctuations in foreign currency exchange rates may adversely affect our results of operations when translated into euro and, to a lesser extent, our profitability.
- Our international operations, particularly in emerging markets, expose us to risks inherent to international business (including difficulties in enforcing our legal rights in certain foreign jurisdictions), any of which could affect our results of operations.
- We occasionally operate our subsidiaries with the support of minority investors and through joint ventures with partners, each of whose interests may not be fully aligned with ours.
- Our future growth depends, in part, on developing new applications and end-markets for our products.
- Our future sales depend, in part, on our ability to bid and win new orders. Our failure to effectively obtain future orders could adversely affect our profitability.
- Events beyond our control, including weather conditions and natural disasters, unexpected geological or physical conditions, or criminal or terrorist attacks, among other things, may affect our timing, costs and our ability to complete orders, which could adversely affect our business, results of operations and financial condition.
- The costs and difficulties of acquiring and integrating complementary businesses and technologies and expansion capital expenditures could impede our future growth and adversely affect our competitiveness.
- The nature of our activities and operations may expose us to reputational and liability risks.

- Our business depends on certain key persons and the loss of such persons may affect our business and our ability to implement current and future strategies.
- Our failure to successfully maintain health and safety policies and procedures could expose us to liability.
- Work stoppages and other labor problems could negatively impact our future profits.
- Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.
- We may experience warranty claims that increase our costs.
- We are subject to extensive legal, administrative and regulatory requirements and to changes in regulations.
- Our business is subject to stringent environmental regulation.
- Our risk management and internal controls may not prevent or detect violations of law.
- Our international sales are subject to various jurisdictions' economic sanctions, export control and anti-corruption laws and regulations, which increases the risk that we may become subject to significant penalties for violating such laws.
- A significant portion of our business is conducted through foreign subsidiaries and repatriating cash from certain of these subsidiaries could have negative tax consequences.
- An unfavorable outcome of current or future legal proceedings could adversely affect our business, results of operations and financial condition.
- We are subject to risks associated with intellectual property and proprietary technology.
- We are required to obtain and maintain permits, licenses and authorizations.
- We have not included IFRS financial information in this offering memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian-GAAP and IFRS.

The Group urges you to read the sections of this Offering Memorandum entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made. The Group undertakes no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

General

The financial information included in this Offering Memorandum has been derived from the audited consolidated financial statements of the Company as of and for the years ended December 31, 2011, 2012 and 2013 (the "**Audited Consolidated Financial Statements**") and the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2014 and 2013 (the "**Unaudited Interim Condensed Consolidated Financial Statements**"). The Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with Italian laws governing the preparation of consolidated financial statements, as interpreted and integrated by the accounting principles established by the *Organismo Italiano di Contabilità*—OIC ("**Italian-GAAP**"**).** However, for the purpose of their inclusion in this Offering Memorandum they have been reclassified. For further details refer to the F-Pages included elsewhere herein. For a discussion of the differences between Italian-GAAP and IFRS see "*Annex A—Summary of certain differences between Italian-GAAP as compared to IFRS*".

The summary financial information for the twelve months ended March 31, 2014 is calculated by taking the results of operations for the three months ended March 31, 2014 and adding to it the difference between the results of operations for the full year ended December 31, 2013 and the three months ended March 31, 2013. The financial information for the three and twelve months ended March 31, 2014 is not necessarily indicative of the results that may be expected for the year ended December 31, 2014, and should not be used as the basis for or prediction of an annualized calculation.

The information in this Offering Memorandum relating to the revenue generated by product sector and geographic area are based on the financial information management uses to monitor the performance of the business. In neither case has the information been prepared in accordance with Italian-GAAP or any other generally accepted accounting standards. Additionally, the information provided by geographic area differs from the geographic segment information provided in the Audited Consolidated Financial Statements. Furthermore, in determining the revenue by geographic area the company considers the location of the customer and/or end-user as opposed to the location of the legal entity that booked the sale. In the future we may present our consolidated financial statements in accordance with IFRS, pursuant to which we may be required to present segment information. The segment information that we may be required to present in accordance with IFRS may differ from the information by business activity provided. Management believes that the information by business activity and geographic area provided is useful in understanding the underlying trends of the different business activities.

Certain numerical figures contained in this Offering Memorandum, including financial information and certain operating data, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

Historically, we have prepared our consolidated financial statements in accordance with Italian-GAAP. We may adopt IFRS for our consolidated financial statements in future years. In the event that we adopt IFRS, the Indenture requires us to report according to such standards, and the covenant calculations will be based on the relevant standards. Because there are significant differences between Italian-GAAP and IFRS, if we were to prepare our financial statements on the basis of IFRS instead of Italian-GAAP, there could be substantial differences in our results of operations, cash flows and financial position, including levels of indebtedness. In addition, our covenants may become more or less restrictive from time to time, depending upon the effect of the standards we adopt. See "*Annex A: Summary of certain differences between Italian-GAAP as compared to IFRS*", "*Risk Factors—Risks Related to Our Business—We have not included IFRS financial information in this offering memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian-GAAP and IFRS*" and "*Description of the Notes*".

The audited consolidated financial statements contained in the F-Pages to this Offering Memorandum should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between Italian-GAAP and IFRS and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, Italian-GAAP principles may have on the Group's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Geographic Reporting Segments

In this Offering Memorandum we report our revenue in the following geographical segments: (i) Asia Pacific, which includes all countries in Asia, as well as Australia and Japan, (ii) EMEA (excluding Italy), which includes all countries in Europe, Russia, the Middle East and Africa, (iii) Italy, (iv) NAFTA, which includes Canada, Mexico and the United States and (v) Latin America, which includes all countries in South America and Central America.

Non-GAAP Financial Measures

In this Offering Memorandum, we present certain non-GAAP measures, including EBITDA, EBITDA Margin, adjusted net financial indebtedness, operating working capital and net capital expenditures.

"EBITDA" is defined as operating income plus accruals to provisions for risks and charges, depreciation, amortization and write-downs of property, plant, equipment and intangible assets as presented in our consolidated income statement.

"Adjusted EBITDA" is defined as EBITDA adjusted for rental savings, receipt of rental income from affiliated companies of the Group and revenue from solar panel energy production.

We define "EBITDA Margin" as EBITDA divided by total revenue.

We define "net capital expenditures" as investments relating to acquisitions and internal construction of property, plant, equipment and intangible assets and net of disposals.

References in this Offering Memorandum to "adjusted net financial indebtedness" refer to our consolidated indebtedness after giving effect to the Transactions less cash and cash equivalents.

References in this Offering Memorandum to "operating working capital" refer to the difference between current assets (excluding deferred tax assets and cash and cash equivalents) and current liabilities (excluding current portion of financial liabilities such as shareholders' loans, loans from other bank lenders and bank loans and overdrafts).

"Operating free cash flow" is defined as EBITDA net of depreciation, amortization, write-downs of property, plant, equipment and intangible assets and provisions for risks and charges, as shown on our consolidated income statement, as well as maintenance capital expenditures and change in working capital.

"EBITDA cash conversion rate" is defined as operating free cash flow divided by EBITDA.

EBITDA, EBITDA Margin and other non-GAAP measures mentioned in this Offering Memorandum are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA, EBITDA Margin and other non-GAAP measures mentioned in this Offering Memorandum as reported by us to EBITDA, EBITDA Margin and other non-GAAP measures mentioned in this Offering Memorandum of other companies. The information presented by each of EBITDA, EBITDA Margin and other non-GAAP measures mentioned in this Offering Memorandum is unaudited and has not been prepared in accordance with GAAP or any other generally accepted accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC and will not be subject to review by the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

Neither EBITDA nor EBITDA Margin is a measurement of performance under GAAP and you should not consider EBITDA or EBITDA Margin as an alternative to net income or operating profit determined in accordance with GAAP adopted, as the case may be, or to cash flows from operations, investing activities or financing activities. EBITDA and EBITDA Margin have limitations as analytical tools, and you should not consider them in isolation. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

- although depreciation and amortization are non-monetary charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA and EBITDA Margin do not reflect any cash requirements that would be required for such replacements;
- some of the exceptional items we eliminate in calculating EBITDA and EBITDA Margin reflect cash payments that were made, or will be made in the future; and
- the fact that other companies in our industry may calculate EBITDA and EBITDA Margin differently than we do, which limits their usefulness as comparative measures.

Adjusted net financial indebtedness, operating working capital, net capital expenditures, operating free cash flow and EBITDA cash conversion rate are non-GAAP measurements and therefore they may not be comparable to similarly titled measures of other companies; such non-GAAP measurements have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our operating results as reported under GAAP adopted.

CURRENCY PRESENTATION AND DEFINITIONS

In this Offering Memorandum, all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, all references to "Pounds sterling", "**GBP**" or "**£**" are to British pound sterling, the lawful currency of the United Kingdom and all references to "**U.S. dollars**," "**USD**" and "**$**" are to the lawful currency of the United States of America.

Definitions

As used in this Offering Memorandum:

- "**Agents**" refers to the Paying Agent, Transfer Agent, Registrar and Irish Listing Agent;
- "**Company**" refers to Officine Maccaferri S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy;
- "**DSO**" refers to the weighted average "day sales outstanding" of our trade receivables for our Italian operations, calculated as the ratio of trade receivables divided by annual revenue and multiplied by 365 days.
- "**EU**" refers to the European Union;
- "**Eurozone**" refers to the member states of the European Union participating in the European Monetary Union;
- "**Existing Facilities**" refers to the financing facilities of the Group against which funds are drawn as of the date of the Offering, certain of which will be repaid with the proceeds of the Offering;
- "**GDP**" refers to gross domestic product;
- "**Group**," "**us**," "**we**" and "**our**" refer to the Company and its consolidated subsidiaries, unless the context requires otherwise or is clear from context;
- "**Guarantors**" refers to the Issue-Date Guarantors and the Post-Closing Guarantor;
- "**Ifitalia Factoring Facility**" refers to the factoring facility agreement, dated as of December 1, 1999, among the Issuer and Elas Geotecnica S.r.l., as assignors, and International Factor Italia S.p.A., as the factor, as subsequently amended, restated or replaced;
- "**Irish Listing Agent**" refers to Deutsche Bank Luxembourg S.A.;
- "**Issue-Date Guarantors**" refers to Maccaferri do Brasil Ltda., BMD Texteis Ltda., Maccaferri Gabions CIS Ltd., Linear Composites Limited, Maccaferri Central Europe s.r.o., France Maccaferri S.A.S., Maccaferri de Bolivia LTDA, Maccaferri de Mexico, S.A. De C.V., Maccaferri China (Hong Kong) Co., Limited and Maccaferri Asia Limited;
- "**Italian Civil Code**" refers to the Italian civil code (*codice civile*), enacted by Royal Decree No. 22 of March 16, 1942, as subsequently amended and supplemented;
- "**Parent**" or "**SECI**" refers to S.E.C.I. S.p.A. a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy, the direct parent company of the Company;
- "**Paying Agent**" refers to Deutsche Bank AG, London Branch;
- "**Post-Closing Guarantor**" refers to Maccaferri (Malaysia) SDN BHD;
- "**Registrar**" refers to Deutsche Bank Luxembourg S.A.;
- "**SECI Group**" refers to S.E.C.I. S.p.A. and its subsidiaries;
- "**SECI Loan**" refers to the loan of €12.0 to be made by the Issuer to SECI with the proceeds of the Issuance;
- "**SECI Receivable**" refers to €34.0 million owing from SECI to the Company as of March 31, 2014, pursuant to a loan previously made by the Company to SECI;
- "**SIMEST Arrangements**" refers to the contractual arrangements pursuant to which SIMEST S.p.A. directly and/or indirectly through affiliates holds minority equity interests in any Restricted Subsidiary of the Company.

- "**Transactions**" refers to the series of transactions as defined under "*Summary—The Transactions*;"
- "**Transfer Agent**" refers to Deutsche Bank Luxembourg S.A.;
- "**Trustee**" refers to Deutsche Trustee Company Limited in its capacity as trustee, legal representative (*Mandatario con rappresentanza*) under the Indenture; and
- "**VAT**" refers to value added tax.

EXCHANGE RATE INFORMATION

We have set forth in the table below, for the periods and dates indicated, certain information regarding the exchange rates between U.S. Dollars and Euro based on the market rates at 6:00 p.m. London time. We have provided this exchange rate information solely for your convenience. We do not make any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate.

	U.S.$ per euro			
	Period Average(1)(2)	High	Low	Period End(3)
Year				
2011	1.3924	1.4874	1.2925	1.2960
2012	1.2859	1.3463	1.2053	1.3197
2013	1.3300	1.3789	1.2819	1.3789
Month				
September 2013	1.3354	1.3531	1.3127	1.3531
October 2013	1.3639	1.3804	1.3498	1.3599
November 2013	1.3497	1.3367	1.3605	1.3591
December 2013	1.3706	1.3803	1.3551	1.3789
January 2014	1.3620	1.3789	1.3505	1.3505
February 2014	1.3662	1.3802	1.3505	1.3802
March 2014	1.3830	1.3925	1.3733	1.3772
April 2014	1.3811	1.3897	1.3705	1.3866
May 2014 (through May 28, 2014)	1.3735	1.3925	1.3592	1.3592

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year.

(2) The average rate for each month presented is based on the average Bloomberg Composite Rate for each business day of such month.

(3) Represents the exchange rate on the last business day of the applicable period.

INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the market in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from governmental and other publicly available information, independent industry publications and reports prepared by trade associations and industry consultants. Third party information included in this Offering Memorandum has been accurately reproduced and, to the best of our knowledge, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Offering Memorandum was estimated or derived based on assumptions we deem reasonable and from our own research, surveys or studies conducted by third parties, including trade associations, and other industry or general publications. Industry publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of these studies and publications is reliable, neither we nor the Initial Purchasers have independently verified such data and cannot guarantee their accuracy or completeness.

In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market related analyses and estimates, requiring us to rely on our own internally developed estimates regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants based on our experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. None of the Company, the Group or the Initial Purchasers can assure you of the accuracy and completeness of, or take any responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, these estimates have not been verified by any independent sources and neither we nor the Initial Purchasers can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Unless otherwise indicated, data on our market position and market share is based on revenue for the year ended December 31, 2013. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk Factors*", "*Industry*" and "*Business*" for further discussion.

SUMMARY

This summary highlights selected information about the Company, Guarantors, the Group and the Offering contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the financial statements of the Company and the related notes therein. You should read this Offering Memorandum carefully in its entirety, including the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry" and "Business", as well as our audited historical financial statements and the notes thereto included elsewhere in this Offering Memorandum.

Overview

We are a global leader in the design, manufacture and provision of engineered products and solutions that are used in a broad array of end markets, including environmental protection, civil and urban infrastructure, hydraulic and coastal works and certain other industrial applications, such as, mining, oil and gas, agriculture and aquaculture among others. Within these markets our products are used for critical applications including: retaining walls, reinforced soils, road stabilization and support, tunneling, erosion and coastal protection, river training works, hydraulic structures, natural hazard mitigation, drainage and landfills, among others. Our leadership position in key solutions is underpinned by engineering expertise acquired over 135 years of industry experience.

We operate an integrated business model (design, manufacture, supply and after-sale support) through a network of over 60 companies and 31 production facilities strategically located in key markets, and a presence in more than 100 countries across five continents. In order to support the sale of our individual products, and strengthen our market position, a key part of our business model is to offer integrated solutions to the engineering issues faced by our clients, incorporating multiple products and solutions and providing advice and support in design, installation and maintenance.

We broadly classify our versatile products into four categories:

- *Double twist mesh:* our "*Gabions*", "*Reno Mattresses*" and other products are steel-wire mesh baskets filled with rock, sand or other materials to form flexible, durable and permeable building blocks from which a broad range of structures can be built to prevent soil erosion, support unstable ground and strengthen soils within excavation and land-design works in mining, construction and other civil engineering projects;
- *Geosynthetics:* our geogrids, mats, drainage geocomposites, geomembranes and textiles are made from synthetic fibers and other components (such as steel) for construction engineering uses from soil reinforcement and erosion protection to landfill membranes and drainage;
- *Rockfall protection and snow net structures:* our light-weight and flexible structures are designed to protect assets and infrastructure from hydro-geotechnical hazards such as debris flows, rockfalls and avalanches; and
- *Other products and services:* we offer a range of products and services to address our clients' specific project needs, including *tunneling & flooring*, *vertical concrete retaining walls*, *engineering support services* and *wire manufacturing*.

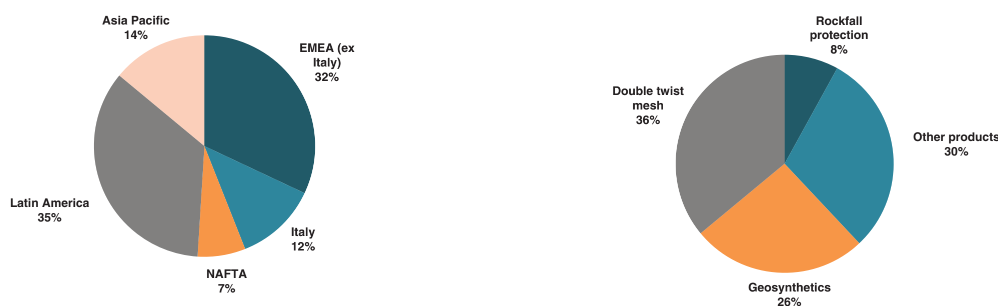
We believe we are the undisputed leader in the double twist mesh market, with approximately 50% market share worldwide. In addition, we believe we are among the top five players in the geotechnical segment of the non-commodity geosynthetics market (with approximately 20% market share) and the second largest player in the rockfall protection and snow net structures (i.e., natural hazard mitigation) market (with approximately 30% market share).

Our expertise in each of our product areas allows us to offer clients integrated, engineered solutions, combining a range of products and technical expertise and know-how to address each client's specific requirements. Our vertically integrated business model covers the full value chain, allowing us to offer bespoke solutions to our clients through our involvement in each step of the process: (i) we design and engineer the ideal solution for the end user foreseeing the utilization of our products; (ii) we manufacture our products in our own facilities around the world; (iii) we deliver our products to our clients' project sites (with transportation costs typically passed through to clients); and (iv) we can supervise installation and provide expert technical assistance

through our local teams on the ground when our clients require it. Our comprehensive product offering and global infrastructure, along with our extensive relationships with customers and end-users, provide us with access to attractive markets worldwide, visibility into upcoming projects and the flexibility to serve customers regardless of geographic location. Furthermore, our extensive geographical footprint allows us to respond quickly and efficiently to new orders, which serves as a key competitive advantage relative to our peers.

We are active both in mature markets, like Western Europe and the United States, and emerging markets like Latin America, Russia, the Middle East, Africa, China and countries throughout Southeast Asia. In addition to our geographic diversification, we have a broad client base diversified across products and geographies with limited client concentration. For the year ended December 31, 2013, and based on total revenue generated, our top 20 clients accounted for only 14% of our revenue from sales and services (compared to 14% and 11% for the years ended December 31, 2012 and 2011, respectively), our top 100 clients accounted for only 30% of our revenue from sales and services (compared to 29% and 27% for the years ended December 31, 2012 and 2011, respectively) and no single client generated more than 3% of our revenue from sales and services (compared to 2% and 1% for the years ended December 31, 2012 mad 2011, respectively). Our typical clients are general contractor companies (engineering, procurement and contractor companies or "**EPCs**"), and the end-users of our products are typically public sector bodies. Our client list includes large-scale EPCs such as Astaldi in Italy, ETA Star in the United Arab Emirates, Odebrecht in Brazil, Penta-Ocean in Japan and Bechtel in the U.S. Public sector end-users represented the vast majority of our revenue for the year ended December 31, 2013. End-users for our products also include private-sector entities—including developers, utilities companies, mining companies and oil and gas companies.

For the twelve months ended March 31, 2014, we generated total revenue of €489.3 million and Adjusted EBITDA of €52.6 million. For the year ended December 31, 2013, we generated total revenue of €485.9 million. The charts below show our revenue from sales and services by geographic region and by product category for the year ended December 31, 2013:



Our Strengths

We believe we have the following competitive strengths:

Our leadership position in key solutions is driven by engineering expertise acquired over 135 years of industry experience, a broad array of complementary products, research and development capacity and key client relationships.

We have been in the environmental engineering business for over 135 years. During that time, the Company has increased the range of its products and the variety of its solutions. Our expertise and product range have been driving factors in our financial growth over the past 135 years; total revenue has increased from €317.5 million for the year ended December 31, 2009 to €485.9 million for the year ended December 31, 2013.

The primary driver of our growth, throughout our storied history is the versatility of our innovative technologies that enable us to offer the wide-range of integrated solutions that we offer today, which we believe are significantly more advanced than those of our peers due to our research and development and engineering expertise. At December 31, 2013, we had 411 full-time engineers, 20 of which are dedicated, full-time, to research and development projects. We also have a total of five facilities in each of Italy, Brazil, Malaysia the United Kingdom and the U.S. specializing in research and development. We invented the modern gabion at the end of the 1800s, and since then have grown and consolidated our position as the leader in the double twist mesh products sector, with approximately 50% market share for the year ended December 31, 2013. Starting in the 1990s and the 2000s, we also expanded our business into complementary sectors, including geosynthetics and rockfall protection. For the year ended December 31, 2013, our management estimates that we had

approximately 20% of the market share in the geotechnical segment of the non-commodity geosynthetics market and 30% of the rockfall protection and snow net structures market. We are a key player in our other product categories as well. These strong market positions and our focus on integrated product solutions has allowed us to grow consistently over the years, with a CAGR of 13.3% since 2004.

In addition, our technical and commercial teams on the ground have strong relationships with municipalities, government advisors and key corporate clients, enabling us to present our solutions directly to customers and many end-users. Through our technical/commercial teams we are often able to propose integrated engineering solutions to our clients at the design and/or tender phase of the process, allowing our clients to better understand the results they will achieve with our solutions and which we believe places our group in the leading position to be selected as the provider for such final projects. Research and development is a crucial element to maintaining this advantage because it ensures that we develop our product offerings and brands and expand our expertise.

We are diversified by product and geography, well-positioned to take advantage of growing markets and have very limited client concentration.

Although we remain the market leader in our historical focus of double twist mesh products, more than half of our revenue now comes from geosynthetics, rockfall protection and snow net structures and our other products and services. Moreover, our product offerings are complementary, so in addition to providing diversification, our suite of engineering solutions provides us with cross-selling opportunities and the advantage inherent in being able to offer clients an integrated solution to their engineering challenges.

In addition to diversification by product, we are present in over 100 countries, including key emerging markets, like Brazil and Russia, which accounted for 19% and 5%, respectively, of our revenue from sales and services for the year ended December 31, 2013. Moreover, Latin America collectively accounted for 35% of our consolidated revenue from sales and services in 2013. We believe our business will be driven in these emerging markets by new infrastructure development, urbanization and industrial growth. Our extensive footprint in emerging markets leaves us well-positioned to take advantage of these opportunities. In addition, in mature markets, we believe that requirements of continued maintenance and enhancement of existing infrastructure will drive and support our business. We believe our geographic diversification provides a natural hedge against localized downturns, while our local presence in jurisdictions around the world allows us: (i) to seize event driven opportunities as they arise (for example, in emergency flood protection and mitigation), (ii) to leverage our global expertise at the local level, providing superior results and (iii) to provide a faster and more cost-efficient service to our clients (including through our local manufacturing, which reduces delivery costs and times and limits import duties).

Finally, in addition to our product and geographic diversification, we have a broad client base diversified across products and geographies with very limited client concentration. For the year ended December 31, 2013, and based on total revenue generated, our top 20 clients accounted for only 14% of our revenue and our top 100 clients accounted for only 30% of our revenue and no single client generated more than 3% of our revenue. Our typical clients are EPCs and the end-users of our products are typically public sector bodies. Public sector end-users represented the vast majority of our revenue for the year ended December 31, 2013. We also sell our products for private sector entities—mainly mining and oil and gas companies.

Our vertically integrated business model affords us control over the entire process of manufacturing and providing products and services to our clients and, therefore, allows us to tailor the products and solutions to meet their specific needs.

Our strength in each of our product areas allows us to offer clients integrated, engineered solutions, combining a range of products and technical expertise to address each client's specific requirements. We believe our vertically integrated business model covers the full value chain, allowing us to offer bespoke environmental engineering solutions to our clients through our involvement in each step of the process, from engineering and design, to manufacturing, to procurement and supply and finally to technical assistance and installation support. Rather than simply selling a product, our engineering expertise allows us to offer a complete, integrated solution, setting us apart from many competitors. We have broad experience on projects of all sizes and, with factories in 22 countries and offices in over 50, clients are never far from our engineers and technical support. This adds significant value for our clients, as our close proximity allows us to respond quickly and efficiently to new orders. We believe we have the capacity to service major infrastructure projects, yet the local knowledge to assist on smaller community projects. Throughout our key product categories, we believe our integrated approach allows us to provide unique services and solutions to our clients.

We have a very well-invested asset base, allowing us to meet client demand and requiring limited maintenance capital expenditures.

We have an extensive local industrial footprint covering five continents with 31 production facilities, more than 60 local subsidiary companies and marketing and sales representatives with strong client relationships servicing over 100 countries. This extensive network allows us to respond rapidly to the needs of customers and deliver solutions on-site and in short order. This quick response is a key strength in the event driven part of our business (e.g. flooding, rockfall). In order to increase the proximity to our clients, we have pursued considerable investments in state-of-the-art manufacturing facilities. Beyond expanding our presence, these facilities enable us to achieve high productivity through the use of flexible and modern automated manufacturing processes. In particular, we have established 3 new plants on average each year since 2010 in 10 different markets in an effort to increase our market penetration within the countries where we operate. Our local presence also avoids import duties imposed upon competitor products that are produced externally and imported

Through these recent facility investments, we have considerably increased our production capacity, which now is able to support our business plan as well as local peaks related to event-driven orders. Likewise, all our production lines have been refurbished to the highest standards to support the future industry cycle and related future growth. We believe there is significant value in our real estate portfolio as we own most of our land and buildings mortgage-free. Finally, after the completion of our expansion investment cycle, we believe that our well-invested manufacturing base will require limited maintenance expenditures.

We have demonstrated strong top-line and EBITDA growth over the past five years, resilient profitability and free cash flow generation.

As a result of our integrated and diversified business model, we have maintained positive and stable EBITDA despite challenging macroeconomic conditions in recent years. Since 2009, our total revenue and EBITDA have grown at a CAGR of 11.2% and 15.7%, respectively. As a result of the stable growth of our EBITDA, our stable margins and our limited maintenance expenditures (lower than €4.0 million in each of the three years ended December 31, 2013), which was driven by significant acquisition and expansion capital expenditures in previous years.

Strong and experienced management team.

Our senior management team has more than 100 years of collective experience in the industries in which we are active and a successful track record of delivering top-line growth through the economic cycle. Our management has successfully integrated acquired businesses, including Linear Composites in 2006, Italdreni in 2010 and BMD in 2011, while controlling costs and growing the business, despite the 2008-2009 financial crisis. Key results achieved by our management team include a strong focus on the markets we operate in, a high degree of flexibility in capacity to adjust to market demand improvements in the management of capital expenditures and working capital, our international expansion, and improvements to our network of production plants. We believe these achievements have translated into increased recognition of our group, better client service and significant cost savings.

Our Strategy

The following constitute our key business strategies:

Leverage our global presence and recent investments in manufacturing capacity to expand market share and growth in selected emerging markets.

We are focused on continuing to utilize our international presence to improve our penetration of high-growth emerging markets. We have recently completed significant expansion capital expenditures, which has provided us the capacity to capitalize on growing demand. We are particularly focused on pursuing attractive growth opportunities in Asia Pacific, South America, Africa, the Middle East and Eastern Europe. We plan to expand sales and engineering coverage in certain of these regions now that regional production capacity and market opportunities are aligned to address these and other emerging markets. In addition, we seek to continue expanding our market share in key end markets by further developing our product offerings for these markets and continuing to grow relationships with existing and new customers globally. By pursuing these strategies, we believe we can improve our access to high-growth regions and markets, enhance our operational flexibility and continue to target high-value projects globally.

In addition, we plan to judiciously pursue strategic investment opportunities, both organic and acquisitive in nature. Given the fragmented nature of many of our product industries, we believe that there may be opportunities to pursue value-accretive small and disciplined acquisitions at attractive valuations in the future, which may augment our geographic footprint, broaden our product offerings, expand our technological capabilities and capitalize on potential operating synergies.

Increase operational efficiency, cost control and financial flexibility and continue to improve working capital management.

We are committed to maintaining a sound capital structure and a strong liquidity position. We intend to increase our operational efficiency through analysis and optimization of manufacturing costs, corporate overhead costs and an emphasis on margin and working capital control. In particular, we intend to (i) increase our manufacturing efficiency in each business segment by optimizing the utilization of our capacity across geographies and by reducing our footprint in certain areas, primarily EMEA, (ii) lower our inventory and (iii) implement cost efficiency measures throughout our Latin American operations. We also intend to optimize our working capital management through product rationalization, factory specialization and, through the Offering, diversification of our financing sources and financial flexibility.

Continue to develop new end markets and applications for our products through both cross-selling and enlarging our product range.

As industries and regulations continue to develop and change in our end markets, we will continue to respond by cultivating new applications for our products. We believe we are well-positioned to develop new addressable markets because of our position as a leader in many of our product categories, our strong engineering and product development capabilities, our deep relationships with customers and end-users and our experience working with relevant public sector clients. We have also taken steps through our "Key Account" approach to target large cap companies in the mining and oil and gas markets that could benefit from our unique engineering products and solutions. Further, we have undertaken a project to expand our footprint in North America in the key product range of geosynthetics.

We believe we have a clear strategy for ongoing improvement in our results by focusing on both higher-margin products and end markets, as well as continued operational improvement. We anticipate that as our product mix continues to shift towards higher-value proprietary products, our pricing power and profitability will continue to improve. We also expect that we can take advantage of cross-selling opportunities in our markets as we use our integrated approach to provide solutions to our clients that utilize multiple products we offer. As a result of these efforts, we anticipate having the critical first-mover advantage in important high-growth, high-margin markets.

Maintain market leadership in the double twist mesh market, opportunistically expand our Rockfall protection products and increase our global presence in geosynthetics.

We have been a leader in the double twist mesh market for decades by delivering best-in-class solutions and developing new applications before our competitors. We will continue to leverage our traditional strength in this area to sustain and expand our business. In rockfall protection and snow net structures, we have implemented targeted expansion programs in our key markets to consolidate and grow our leading market position. Finally, geosynthetics will be fundamental to our strategy; we plan on implementing a three-pronged approach in this area: (i) in the United States, we aim to improve market penetration to achieve the critical mass that will require local manufacturing capability in the next 2 to 3 years; (ii) in Europe, we aim to enhance our current portfolio and increase our capacity and capabilities to increase our market share, potentially through a small acquisition and (iii) in the Middle East and Asia, we aim to increase our market penetration, including through bolt-on acquisitions to maintain our momentum in these key markets.

Recent Developments

We are currently in negotiations with a party to set up a joint venture for the promotion and sale of various underground and tunnelling products and solutions to become a global supplier for such products and solutions. This envisaged joint venture would operate worldwide with the exception of China, Hong Kong, Brazil, Peru, Uruguay, Paraguay and Argentina. We currently expect that our investment in the joint venture will be less than €10.0 million and will be made primarily in the form of an asset contribution and a limited cash investment in the

equity of the joint venture. Negotiations are advanced, but we have not entered into any binding agreements. If negotiations continue to progress, we would expect to enter into binding agreements prior to the end of the second quarter. While we do not currently expect to make available any debt or other financing to the joint venture in connection with its formation, the final amount of the investment or financing associated with this potential project will depend on the terms of the final agreements. No assurance can be given that we will enter into any binding agreements or, if entered into, that the joint venture will occur. See "*Forward-Looking Statements*".

Capital Expenditures

For the three months ended March 31, 2014, our net capital expenditures amounted to €2.5 million (compared to €7.8 million for the three months ended March 31, 2013). Based on management's budget for 2014, we expect for the full year ended December 31, 2014 that our net capital expenditures will amount to between approximately €10.0 million and €13.0 million (as compared to €17.7 million for the year ended December 31, 2013). We expect our net capital expenditures in 2014 to decrease as compared to 2013 due primarily to the completion in 2013 of our recent expansion investment plans. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*" for further information.

These preliminary indications are estimates based on our management's budget and initial reviews of our results of operations, which have not been audited or reviewed by our independent auditors or any other auditor. Our actual net capital expenditures for the year ending December 31, 2014 may differ from these estimates in ways that could be material. In addition, our interim net capital expenditures are not necessarily indicative of the net capital expenditures that may be expected for any other period or for the full year. See "*Forward-Looking Statements*", "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*".

The Transactions

After deduction of fees and expenses, we anticipate the net proceeds from the issue of the Notes to be approximately €195.0 million. We intend to use €173.7 million of the net proceeds from the issue of the Notes for: (i) the repayment of all amounts outstanding under certain of our Existing Facilities and other financial liabilities (€143.7 million); (ii) the payment of a distribution to the Company's shareholder (€4.0 million); (iii) the extension of a loan to the Company's shareholder (€12.0 million); and (iv) the acquisition of the Company's headquarters building (€14.0 million). In addition, €21.3 million will be available for general corporate purposes. For additional information, see "*Use of Proceeds*", "*Description of Certain Financing Arrangements*", "*Description of the Notes*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Our Shareholder and the SECI Group

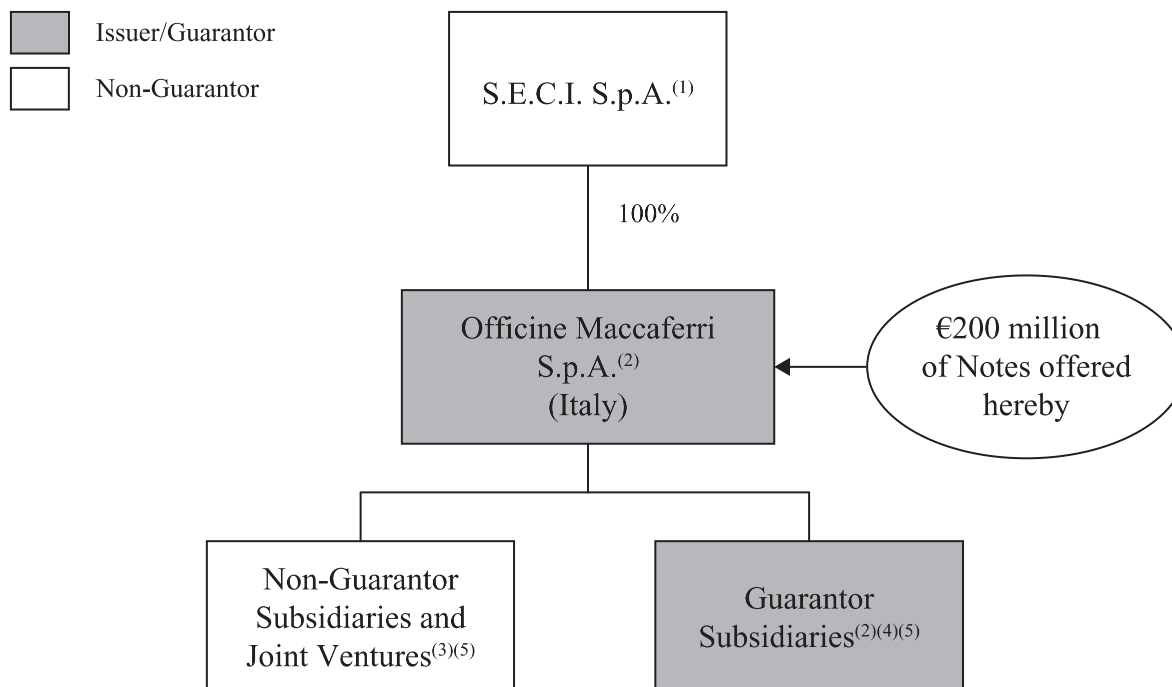
Our shareholder is S.E.C.I. S.p.A. ("**SECI**"), which is controlled, directly and indirectly, by members of the Maccaferri family. Officine Maccaferri is the largest division of the SECI Group. The SECI Group is a diversified conglomerate active in the environmental engineering, food and agribusiness, energy, tobacco, mechanical engineering, biotech and real estate sectors. The SECI Group has been a market leader in certain of these sectors for more than 100 years. The SECI Group (including Officine Maccaferri) operates 56 industrial facilities in five continents and has 5,229 total employees worldwide. In 2013, net of holding costs and intra-group adjustments, the SECI Group (including Officine Maccaferri) generated approximately €1.2 billion in revenue, of which approximately 45.1% was generated outside of Europe and 56.9% was generated outside of Italy, and approximately €141 million EBITDA and, as of December 31, 2013, had approximately €551 million of net debt. See "*Principal Shareholders*" and "*Business—Our History*".

Company Information

The Company was incorporated as a joint stock company (*società per azioni*) under the laws of the Republic of Italy on May 25, 1920, and is registered under number 00795700152 with the Register of Companies of Bologna (*Registro delle Imprese di Bologna*) with registered office at Via J.F. Kennedy, 10, 40069, Zola Predosa (BO), Italy, and its telephone number is +39 051 643 6000. The Company's incorporation will terminate on December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation. As of the date of this Offering Memorandum, the Company had a fully paid-up share capital of €33,400,000.00 consisting of 417,500 ordinary shares 100% of which are held by SECI.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram reflects a simplified summary of our corporate structure and our principal indebtedness on an adjusted basis after giving effect to the Offering and the use of the proceeds thereof. The diagram does not include all entities in the Group, nor all of the debt obligations thereof. In addition, certain of our subsidiaries, including certain Guarantors, are not wholly-owned by the Group. For further information, see note 3 to our consolidated financial statements for 2013, "*Use of Proceeds*", "*Capitalization*", "*Description of Certain Financing Arrangements*" and "*Description of the Notes*".



(1) S.E.C.I. S.p.A. is our sole shareholder, which has interests in a number of other businesses. See "*Summary—Our Shareholder and the SECI Group*"; "*Principal Shareholders*" and "*Certain Relationships and Related Party Transactions*".

(2) The Company and the Guarantors collectively represented 51.7% of our total assets (excluding intangible assets and investments in subsidiaries, associates, joint ventures and other companies) as of March 31, 2014, 54.2% and 54.0% of our consolidated total revenue and EBITDA, respectively, for the twelve months ended March 31, 2014. As of March 31, 2014, and pro-forma for the Transactions and the application of the proceeds therefrom, the Company and the Guarantors would have had €218.4 million of outstanding financial indebtedness, none of which was secured other than certain recourse factoring under the Ifitalia Factoring Facility and finance leases.

(3) Our non-Guarantor subsidiaries represented 48.3% of our total assets (excluding intangible assets and investments in subsidiaries, associates, joint ventures and other companies) as at March 31, 2014 and 33.5% and 46.0% of our consolidated total net profit and EBITDA, respectively, for the twelve months ended March 31, 2014. Joint ventures in which we control 50% or less of the voting rights and other minority interests will not be subject to restrictive covenants contained in the Indenture. As of March 31, 2014, and pro-forma for the Transactions and the application of the proceeds therefrom, our non-Guarantor subsidiaries would have had €7.7 million of outstanding financial indebtedness (the majority of which are finance leases and short-term debt in our subsidiaries in Nepal, South Korea and Argentina).

(4) The Notes will be senior obligations of the Company and will be guaranteed on a senior basis by each of Maccaferri do Brasil Ltda., BMD Texteis Ltda., Maccaferri Gabions CIS Ltd., Linear Composites Limited, Maccaferri Central Europe s.r.o., France Maccaferri S.A.S., Maccaferri (Malaysia) SDN BHD, Maccaferri de Bolivia LTDA, Maccaferri de Mexico, S.A. de C.V., Maccaferri China (Hong Kong) Co., Limited and Maccaferri Asia Limited. Moreover, the Note Guarantees will be subject to significant limitations under applicable laws and may be released under certain circumstances. As of March 31, 2014, and pro-forma for the Offering and the application of the proceeds therefrom, the Guarantors would have had €0.2 million of outstanding financial indebtedness, none of which was secured. See "*Description of Notes—Note Guarantees—Note Guarantee Release*", "*Risk Factors—Risks Related to the Notes and Note Guarantees*" and "*Limitations on Validity and Enforceability of the Note Guarantees and Certain Insolvency Law Considerations*".

(5) Pursuant to certain arrangements with SIMEST S.p.A. (“**SIMEST**”), a non-controlling interest holder in a number of our international subsidiaries, we are required to make annual interest payments on equity invested by SIMEST in such subsidiaries and SECI may be required to purchase such equity upon termination of the eight-year investment periods or upon exercise by SIMEST of the put options granted pursuant to the terms of its investments. See “*Description of Certain Financing Arrangements—SIMEST Arrangements*” for additional information.

THE OFFERING

The summary below describes the principal terms of the Notes and the Note Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Company . . . . Officine Maccaferri S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy (the "**Company**").

Notes Offered . . . . €200,000,000 aggregate principal amount of 5.75% Senior Notes due 2021.

Maturity Date . . . . The Notes will mature on June 1, 2021.

Interest . . . . The Notes will bear interest at a rate of 5.75% per annum.

Issue Price . . . . 100%.

Interest Payment Date . . . . Interest on the Notes will be payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2014.

Guarantees . . . . On the Issue Date, the Notes will be guaranteed on a senior basis (the "**Issue-Date Guarantees**") by the following directly and indirectly held subsidiaries of the Company: Maccaferri do Brasil Ltda., BMD Texteis Ltda., Maccaferri Gabions CIS Ltd., Linear Composites Limited, Maccaferri Central Europe s.r.o., France Maccaferri S.A.S., Maccaferri de Bolivia LTDA, Maccaferri de Mexico, S.A. de C.V., Maccaferri China (Hong Kong) Co., Limited and Maccaferri Asia Limited (each an "**Issue-Date Guarantor**" and, collectively, the "**Issue-Date Guarantors**").

On or about the Issue Date, but in no event later than ten business days from the date upon which the Central Bank of Malaysia approves the giving of such guarantee, the Notes will be guaranteed on a senior basis (the "**Post-Closing Guarantee**" and, together with the Issue-Date Guarantees, the "**Note Guarantees**") by Maccaferri (Malaysia) SDN BHD (the "**Post-Closing Guarantor**" and, together with the Issue-Date Guarantors, the "**Guarantors**").

The obligations of the Guarantors will be subject to significant legal and contractual limitations and may be released in certain circumstances. See "*Risk Factors—Risks Related to the Notes and Note Guarantees—The Note Guarantees are significantly limited by applicable laws and are subject to certain limitations and defenses*," and "*Description of the Notes—The Guarantees*".

As of March 31, 2014, after giving *pro forma* effect to the Transactions:

- the Company and its consolidated subsidiaries would have had approximately €226.2 million of indebtedness, of which €200.0 million is represented by the Notes;
- the Company and the Guarantors would have had approximately €218.4 million of financial indebtedness, none of which was secured, other than certain recourse factoring under the Ifitalia Factoring Facility and finance leases; and
- the non-guarantor subsidiaries would have had approximately €7.7 million of financial indebtedness (the majority of which are finance leases and short-term debt in our subsidiaries in Nepal, South Korea and Argentina).

As of and for the twelve months ended March 31, 2014, the Company and the Guarantors generated 54.2% of our total revenue and 54.0% of our EBITDA and represented 51.7% of our total assets.

Ranking . . . . The Notes will be senior obligations of the Company and will:

- rank equally in right of payment with all existing and future indebtedness of the Company that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to any and all of the existing and future indebtedness of the Company that is subordinated in right of payment to the Notes;
- be structurally subordinated to all existing and future indebtedness of the Company's subsidiaries that do not guarantee the Notes; and
- be effectively subordinated to the Company's and the Guarantors' existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness.

The Note Guarantees to be provided by the Guarantors will be the general obligation of each Guarantor and will:

- rank equally in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to its Note Guarantee;
- rank senior in right of payment to any and all future indebtedness of such Guarantor that is subordinated in right of payment to its Note Guarantee; and
- be effectively subordinated to the Company's and the Guarantors' existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness.

See "*Description of the Notes—Brief Description of the Notes and the Note Guarantees*."

Optional Redemption . . . . The Company may redeem all or part of the Notes on or after June 1, 2017 at the redemption prices listed in the section entitled "*Description of the Notes—Optional Redemption.*"

The Company may redeem all or part of the Notes at any time prior to June 1, 2017, by paying a "make-whole" premium as described in the section entitled "*Description of the Notes—Optional Redemption.*"

At any time prior to June 1, 2017, the Company may use the proceeds of specified equity offerings to redeem up to 35% of the original principal amount of the Notes at a redemption price equal to 105.75% of the aggregate principal amount of the Notes to be redeemed, plus accrued and unpaid interest and additional amounts, if any, then due to the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes of such series remains outstanding after the redemption and the redemption occurs within 90 days of the date of the closing of such relevant equity offering. See "*Description of the Notes—Optional Redemption.*"

Tax Redemption . . . . The Company may redeem the Notes, in whole but not in part, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date,

	if the Company or, in certain circumstances, any Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "*Description of the Notes—Redemption for Changes in Taxes*."
Additional Amounts	All payments made by or on behalf of the Company or any Guarantor under or with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If any such withholding or deduction for taxes is required by law to be made with respect to any payment under the Notes, subject to certain exceptions, we will pay the additional amounts necessary so that the net amount received by the holders of the Notes after such withholding (including any withholding or deduction in respect of the additional amounts) is not less than the amount that such holders would have received in the absence of such withholding or deductions. See "*Description of the Notes—Additional Amounts*." The Company is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in "*Description of the Notes—Additional Amounts*," the Company will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Company or the Guarantors. See "*Description of the Notes—Additional Amounts*." Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a noteholder is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified by the Italian tax authorities in Ministerial Decree of September 4, 1996 and in the Ministerial Decree to be issued as per Article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) (a "white list country") and such noteholder complies with certain certification requirements, there is no assurance that this will be the case. Moreover, noteholders will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the white list countries.
Change of Control	Upon the occurrence of a change of control of the Company at any time, you will have the right to require the Company to repurchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. See "*Description of the Notes—Repurchase at the Option of Holders—Change of Control*".
Covenants	The Indenture will, among other things, restrict the ability of the Company and its restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock;

- pay dividends or make other distributions on, redeem or repurchase capital stock;
- make certain restricted investments;
- prepay or redeem subordinated debt;
- create or incur certain liens;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Company or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

In addition, the Company will provide to the Trustee and to holders of the Notes annual and quarterly reports of the Company.

These covenants are subject to important exceptions and qualifications. See "*Description of the Notes—Certain Covenants*".

Use of Proceeds .... See "*Use of Proceeds*".

Forms and Denomination .... The Company will issue the Notes on the Issue Date in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.

Transfer Restrictions; Absence of a Public Market for the Notes .... The Notes have not been registered under the U.S. Securities Act and thus are subject to restrictions on transferability and resale. The Company cannot assure you that a market for the Notes will develop or that, if a market develops, the market will be a liquid market. The Initial Purchasers have advised the Company that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and any market making with respect to the Notes may be discontinued without notice. See "*Plan of Distribution*".

Listing .... Application has been made to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes to trading on the Global Exchange Market of the Irish Stock Exchange.

Trustee .... Deutsche Trustee Company Limited.

Paying Agent .... Deutsche Bank AG, London Branch.

Transfer Agent, Registrar and Irish Listing Agent .... Deutsche Bank Luxembourg S.A.

Governing Law of the Notes, the Indenture and the Note Guarantees . . . . New York.

Risk Factors

Investing in the Notes involves substantial risks. Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

Additional Information

The Company's registered offices are located at Via J. Kennedy, 10, 40069 Zola Predosa (BO), Italy. Its telephone number is +39 051 643 6000.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables present the summary consolidated financial information and other data as of and for each of the years ended December 31, 2011, 2012 and 2013, as of and for the three months ended March 31, 2013 and 2014 and the twelve-month period ended March 31, 2014. The financial information and other data for the years ended December 31, 2011, 2012 and 2013 is derived from the consolidated financial statements of the Company and related notes included elsewhere in this Offering Memorandum which have been audited by Reconta Ernst & Young S.p.A. The financial information and other data as of and for the three months ended March 31, 2013 and 2014 presented below is derived or calculated from the unaudited interim condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2014 included elsewhere in this Offering Memorandum and/or other sources of data. The unaudited condensed consolidated interim financial statements have been prepared on a basis consistent with the Company's annual audited condensed consolidated financial statements. For further information please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". Historical results are not necessarily indicative of future performance or results of operations, and the financial information and other data for the three months or twelve months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the full year or any future period and should not be used as a basis for or prediction of an annualized calculation.

Consolidated financial statements prepared in accordance with Italian-GAAP differ in certain significant respects from IFRS. These differences could be material to the information contained herein. See "*Annex A—Summary of certain differences between Italian-GAAP as compared to IFRS*".

The following tables should be read in conjunction with the information contained in "*Presentation of Financial Information*", "*Use of Proceeds*", "*Capitalization*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and related notes included in this Offering Memorandum.

Summary Consolidated Income Statement:

	For the year ended December 31, (audited)			For the three months ended March 31, (unaudited)		For the twelve months ended March 31, (unaudited)
	2011	2012	2013	2013	2014	2014
	(in thousands of €)					
Total revenue	463,292	486,724	485,888	95,273	98,682	489,297
Costs of materials and consumables	(254,709)	(263,352)	(265,158)	(51,247)	(52,769)	(266,680)
Costs of services and use of third party assets	(98,516)	(97,013)	(96,269)	(22,796)	(21,116)	(94,589)
Costs of personnel	(70,445)	(73,358)	(74,249)	(18,565)	(17,874)	(73,558)
Other operating costs	(700)	(1,587)	(2,924)	(719)	(530)	(2,735)
Amortization, depreciation and write-downs	(16,197)	(18,900)	(19,399)	(4,797)	(4,451)	(19,053)
Accrual to provision for risks and charges	(1,141)	(991)	(1,671)	(153)	(197)	(1,715)
Operating income/(losses)	21,584	31,523	26,218	(3,004)	1,745	30,967
Net expenses and losses from financial activities	(8,132)	(11,383)	(14,702)	(2,463)	(2,876)	(15,115)
Financial income	417	555	1,105	229	610	1,486
Financial expenses	(8,113)	(11,551)	(12,094)	(3,027)	(3,208)	(12,275)
Gain/(losses) on exchange rate	(436)	(387)	(3,713)	335	(278)	(4,326)
Net non-recurring expenses and charges	(1,287)	(4,497)	(2,854)	(1,639)	(287)	(1,502)
Income/(losses) before taxes	12,165	15,643	8,662	(7,106)	(1,418)	14,350
Income taxes/tax benefit	(4,767)	(5,160)	(3,555)	314	(234)	(4,103)
Net income/(losses)	7,398	10,483	5,107	(6,792)	(1,652)	10,247

Summary Consolidated Cash Flows Statement:

	For the year ended December 31, (audited)			For the three months ended March 31, (unaudited)	
	2011	2012	2013	2013	2014
	(in thousands of €)				
Net cash flow from/(used in) operating activities	11,656	19,115	19,997	(31,428)	(21,797)
Net cash flow used in investing activities	(21,225)	(20,548)	(19,609)	(7,982)	(2,525)
Net cash flow from/(used in) financial activities	13,402	(9,656)	6,741	33,625	21,924
Net effect of foreign currencies exchange rate variation and other changes	(2,629)	(760)	(3,768)	1,074	(112)
Changes in cash and cash equivalents	**1,204**	**(11,849)**	**3,361**	**(4,711)**	**(2,510)**

Summary Consolidated Balance Sheet Data:

	As of December 31, (audited)			As of March 31, (unaudited)
	2011	2012	2013	2014
	(in thousands of €)			
Non-current assets	156,884	155,665	152,601	154,008
Current assets	254,115	245,580	264,336	273,445
of which, cash and cash equivalents	31,311	19,462	22,823	20,313
Total assets	410,999	401,245	416,937	427,453
Total liabilities	286,234	271,208	281,832	293,599
Shareholders' equity	124,765	130,037	135,105	133,853

Other Financial Information:

	As of and for the year ended December 31,			As of and for the three months ended March 31,		For the twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
	(in thousands of €, except ratios and percentages or as otherwise indicated)					
Total revenue	463,292	486,724	485,888	95,273	98,682	489,297
EBITDA[(1)]	38,922	51,414	47,288	1,946	6,393	51,735
Adjusted EBITDA[(2)]	—	—	—	—	—	52,603
EBITDA margin[(3)]	8.40%	10.56%	9.73%	2.04%	6.48%	10.57%
Adjusted EBITDA margin[(3)]	—	—	—	—	—	10.76%
Net working capital[(4)]	83,413	84,778	80,752	113,015	102,810	
Net capital expenditures[(5)]	20,503	18,536	17,688	7,832	2,541	12,397
Adjusted interest expense[(6)]						12,216
Adjusted net financial indebtedness (in millions of euro) [(7)]						184.3
Ratio of Adjusted EBITDA to *adjusted* interest expense						4.3x
Ratio of *adjusted* net financial indebtedness to Adjusted EBITDA						3.5x

(1) We define EBITDA as the operating income before the accrual to provision for risks and charges, amortization/depreciation and write-downs as presented in our consolidated income statement. In evaluating EBITDA, you should be aware that, as an analytical measure, EBITDA is subject to certain limitations. Please see "*Presentation of Financial and Other Information—Other Financial Measures*". EBITDA is not a measurement of performance under Italian-GAAP, IFRS or any other generally accepted accounting standards and you should not consider EBITDA as an alternative to (a) operating income or net income (as determined in accordance with Italian-GAAP, IFRS or any other generally accepted accounting principles) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities

as a measure of our ability to meet our cash needs or (c) any other measures of performance under Italian-GAAP, IFRS or any other generally accepted accounting principles. EBITDA as presented here differs from the definition of "Consolidated EBITDA" contained in the *Description of the Notes*.

The following table sets forth the reconciliation of EBITDA to operating income:

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
			(in thousands of €)			
Operating income/(losses)	21,584	31,523	26,218	(3,004)	1,745	30,967
Accrual to provisions for risks and charges	1,141	991	1,671	153	197	1,715
Amortization, depreciation and write-downs	16,197	18,900	19,399	4,797	4,451	19,053
EBITDA	38,922	51,414	47,288	1,946	6,393	51,735

(2) We define Adjusted EBITDA as EBITDA adjusted for the last twelve months ended March 31, 2014 to reflect the decline in rent expense, the receipt of rental income from affiliated companies of the Group and the net impact of the associated energy costs in respect of the acquisition of our headquarters from SECI with a portion of the proceeds of the Notes. Adjusted EBITDA is not a measurement of performance or liquidity under Italian-GAAP, IFRS or any other generally accepted accounting standards and you should not consider Adjusted EBITDA as an alternative to (a) operating income or net income (as determined in accordance with Italian-GAAP, IFRS or any other generally accepted accounting principles) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance or liquidity under Italian-GAAP, IFRS or any other set of generally accepted accounting principles.

The following table reconciles EBITDA to Adjusted EBITDA:

	For the twelve months ended March 31, 2014
	(in thousands of €)
EBITDA	51,735
Adjustments related to purchase of headquarters[(a)]	868
Adjusted EBITDA	52,603

(a) Adjustments relate to the purchase by the Issuer of its headquarters building and include the combined impact of €0.8 million in the reduction of rental expense and the receipt of rental income from affiliated companies of the SECI Group occupying part of the premises and the net impact of energy costs relating to the generation of power by solar panels on the roof of the building of €0.1 million. Please see "*Presentation of Financial and Other Information—Other Financial Measures*".

(3) EBITDA margin and Adjusted EBITDA Margin are EBITDA and Adjusted EBITDA, respectively, as a percentage of total revenue. EBITDA margin and Adjusted EBITDA Margin are not defined terms under Italian-GAAP, IFRS or any other generally accepted accounting principles and may therefore not be comparable with other similar titled measures reported by other companies.

(4) Net working capital is calculated as the difference between current assets (excluding deferred tax assets and cash and cash equivalents) and current liabilities (excluding current portion of bank loans and other financial liabilities such as loans from other bank lenders and bank loans and overdrafts) and provisions for risks and charges. The following table sets for the breakdown of net working capital.

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	(€ in thousands)			
	(audited)			(Unaudited)
Inventories	92,350	85,457	87,282	98,239
Trade receivables	109,181	110,307	101,301	100,634
Advances from customers	(3,254)	(6,454)	(2,517)	(2,511)
Trade payables	(69,225)	(65,436)	(62,861)	(64,996)
Other elements of net working capital[(a)]	(45,639)	(39,096)	(42,453)	(28,556)
Net working capital[(b)]	**83,413**	**84,778**	**80,752**	**102,810**

(a) Other elements of net working capital is the sum of current tax receivables, other current non-financial assets, current tax payables, other current non-financial liabilities and provisions for risks and charges. The table below provides the breakdown of the other elements of working capital as of December 31, 2013, 2012 and 2011 and as of March 31, 2014:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	(€ in thousands)			
	(audited)			(Unaudited)
Current tax receivables	7,224	6,570	8,437	8,439
Other current non-financial assets	11,549	12,784	10,780	11,541
Current tax payables	(6,575)	(4,959)	(6,142)	(5,116)
Other current non-financial liabilities	(48,425)	(45,155)	(47,161)	(34,600)
Provisions for risks and charges	(9,412)	(8,336)	(8,367)	(8,820)
Other elements of net working capital	**(45,639)**	**(39,096)**	**(42,453)**	**(28,556)**

(b) "Net working capital" is not a recognized measure of financial performance or liquidity under Italian GAAP or any other generally accepted accounting principles and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of Financial Information—Non-GAAP Financial Measures*".

(5) We define net capital expenditures as expenditures for acquisitions and internal construction of property, plant, equipment and tangible assets, including maintenance capital expenditures, and net of disposals.

(6) *Adjusted* interest expense is defined as the interest expense on the Notes and the other outstanding indebtedness following the Transactions, in each case giving effect to the Offering for the twelve months ended March 31, 2014, as if the Transactions had occurred on April 1, 2013, based upon the actual coupon of the Notes equal to an interest rate of 5.75% per annum. Adjusted interest expense excludes charges allocated to debt issuance costs. Adjusted interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period of our financial condition at any future date.

(7) Adjusted net financial indebtedness represents our consolidated indebtedness after giving effect to the Transactions less cash and cash equivalents, including proceeds from the Offering to be available for general corporate purposes.

RISK FACTORS

An investment in the Notes is subject to a number of risks. Prospective investors should consider carefully the risks described below and the other information contained in this Offering Memorandum prior to making any investment decision with respect to the Notes. Each of the risks discussed below could adversely affect our business, results of operations and financial condition, which, in turn, could have a material adverse effect on the principal amount and interest which investors will receive in respect of the Notes. In addition, each of the risks discussed below could adversely affect the trading or the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks Related to Our Business

Our business depends on the levels of capital investments, which are affected by factors such as the state of domestic and global economies, our customers' liquidity and the condition of global credit and capital markets.

Our products are generally integrated into complex, large-scale projects undertaken by our customers. As such, demand for most of our products depends on new capital investment expenditures by the end-market users of our products. The level of investments by these end-market users, both public and private, depends, in turn, on macroeconomic conditions, such as the availability of credit, economic conditions within their respective geographies, government budgetary policies, political conditions and expectations of future market behavior. Normally, growing GDP results in greater demand for our products, while stagnant or shrinking GDP adversely affects demand for our products by the end-market users.

The global economy has significantly deteriorated since 2007 as a result of an acute financial and liquidity crisis, and the current global economic downturn has reduced, and continues to negatively impact, our customers' ability to secure projects. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, sovereign debt and the break-up of the euro have increased market volatility, hampered worldwide GDP growth and diminished expectations for the global economy going forward. These macroeconomic conditions may make it difficult for our customers to forecast and plan future business trends and activities. This causes them to slow or even curb spending on our products, or to seek purchase terms more favorable to them.

As sluggish economic and financial conditions linger, our clients have difficulty accessing the credit and capital markets. These difficulties, and the associated costs, can have a negative effect on our end-market customers' ability to invest in large capital projects, even during favorable market conditions. The liquidity and financial position of our customers could also affect their ability to pay in full or on a timely basis. Additionally, any increased spending on infrastructure projects due to governmental stimulus plans may create artificial, short-lived increases in demand that do not last once the stimulus plans have ended. Any of these macro-economic factors, whether individually or in the aggregate, could have a material adverse effect on our business, results of operations and financial condition.

The vast majority of our revenue comes directly or indirectly from public sector spending. Therefore, any decrease in investments by governments or other public authorities may harm the demand for our products.

Management believes that, for the year ended December 31, 2013, approximately 90% of our revenue was generated, directly or indirectly, from projects financed by public sector spending. Accordingly, governments' and public authorities' programs and funding policies with respect to investments in transport and civil and social infrastructures determine the activities of many of our customers, and in turn their demand for our products.

Governmental budgetary policies on civil engineering investments in the countries where we are present or which we are targeting are influenced by global economic instability and challenging, recessionary economic conditions. A persistent or harsher global economic crisis may result in governments facing significantly reduced tax revenue and budget deficits, which, in turn, could affect their borrowing capacity and/or prevent them from funding capital investment, asset maintenance and large-scale infrastructure construction projects. As a consequence, governments or local public authorities may call off or reconsider potential projects, or exercise their right to terminate contracts or redefine their terms in order to reduce costs or delay the time of payment to

our customers. In addition, increased sensitivity to government spending in certain countries coupled with concerns over other social issues may cause governments to subordinate infrastructure spending to other social policy programs.

Moreover, volatile governments in some of the emerging markets where we operate create instability and unpredictability. This could mean that these governments are unable to secure the funds for large projects or that new governments could replace old ones and cancel projects that had been initiated by their predecessors. Due to our significant reliance on public sector spending on projects, any of these scenarios could, in turn, adversely affect our business, results of operations and financial condition. See "*—Our business depends on the levels of capital investment expenditures, which are affected by factors such as the state of domestic and global economies, the cyclical nature of our customers' markets, our customers' liquidity and the condition of global credit and capital markets*".

Some of our customers operate in highly cyclical industries where periodic downturns reduce their demand for our products.

The businesses of many of our private-sector end-users, particularly water resource management, mining and liquid containment companies are, to varying degrees, cyclical and experience periodic downturns that may adversely affect our future sales. The demand for our products by these end-market customers, both public and private depends, in part, on overall levels of industrial production and construction, general economic conditions and business confidence levels. During economic downturns, end-market customers in cyclical industries have historically tended to delay large capital projects, as they did during the global recession in 2007 through 2009, which had a negative effect on our results of operations. Additionally, fluctuating industrial demand forecasts and lingering uncertainty concerning commodity pricing have caused these customers to be more conservative in their capital planning, which could reduce the demand for our products. For example, reductions in copper, gold and silver prices might depress the level of mining activity and can result in a corresponding decline in the demand for our products. Reduced demand in any of our end-markets could result in the delay or cancellation of existing orders for our products or lead to excess manufacturing capacity, which unfavorably affects our absorption of fixed manufacturing costs, all of which could adversely affect our business, results of operations and financial condition.

We operate in a competitive industry, and pressure on pricing and/or our inability to compete could adversely affect our business, results of operations and financial condition.

We operate in competitive industry segments that are characterized by a small number of large, global producers and a large number of small, local or regional producers. We compete primarily on the basis of our technical know-how, product superiority, experience and track record, local presence and international network, engineering support, environmental sustainability, our integrated approach to providing engineering solutions and after-sales support. This competition could intensify because of new companies entering the market and the consolidation of the industries in which we operate. If our competitors are better able to meet these competitive challenges, to develop new or enhanced products that are better than our products or to react to changes in the factors that affect competition in our industry, we may experience a loss of market share, which could adversely affect our business, results of operations and financial condition. See "*Business—Competition*".

Our business is subject to fluctuations in the price and availability of raw materials.

Pricing for our products is driven to a large extent by the costs of raw materials. Approximately €265.2 million of our operating costs in 2013, or 54.6% of 2013 total revenue, were for materials and consumables, as compared to €263.4 million in 2012 and €254.7 million in 2011, or 54.1% and 55.0% of total revenue in those years, respectively. Price fluctuations in raw materials may have a direct impact on production costs. The principal raw materials we use in manufacturing our products are steel wire, steel wire rod, ingots for zinc coating, aluminum, polymeric compounds, yarns and monofilaments and plastic. We typically manage to pass increases in raw materials prices through to our customers; however, volatility in the prices of our core raw materials could ultimately affect our gross margins and operating results. Raw material shortages or significant increases in the price of raw materials could increase our costs and may reduce our operating income if we are not able to pass through all of the increases to our customers.

In general, we do not enter into long-term purchase orders for the delivery of raw materials. Our orders with suppliers are flexible and do not contain minimum purchase volumes or fixed prices. Accordingly, our suppliers may change their prices and other purchase terms on a monthly basis. Competitive market conditions in our

industry and contractual arrangements with certain of our customers may limit our ability to pass the full cost of higher raw material pricing through to our customers promptly or completely. Because most of our customers place short-term purchase orders, we are often able to pass on increased materials costs by simply raising our prices. Even in cases in which we have long-term contracts, we often tie the cost of our goods to relevant pricing indices and the contracts permit us to pass on the cost of higher raw materials.

In addition, we may not be able to rely on an uninterrupted supply of raw materials from our regular vendors in the various countries in which we operate, or from alternative sources in the event of a local or international shortage of the raw materials we use, or we may encounter a shortage or discontinuation of certain types of materials purchased from one or more of our suppliers. Volatility in the pricing, or a shortage, of the raw materials we need to make our products could adversely affect our business, results of operations and financial condition.

Unfavorable fluctuations in foreign currency exchange rates may adversely affect our results of operations when translated into euro and, to a lesser extent, our profitability.

We have significant non-euro denominated assets, liabilities, revenue and costs. For the year ended December 31, 2013, we derived 19.4%, 5.1%, 5.0% and 3.7% of our revenue from sales and services in Brazil, Russia, Bolivia and India, respectively. The domestic currencies in these countries have experienced volatility against the euro in recent years. To prepare our consolidated financial statements, we translate our assets and liabilities into euro at the exchange rate in effect at the end of the period, and we translate our revenue and costs into euro at the average exchange rate for the relevant period. Consequently, increases and decreases in the value of the euro against these other currencies will affect the amounts attributed to these items in our consolidated financial statements, even if their value in their original currency has not changed. These translations could result in changes to our results of operations from period to period. Given our increasing focus on non-European markets, this risk is expected to increase over time.

In addition, to the extent we incur expenses that are not denominated in the same currency as related revenue, exchange rate fluctuations could cause our expenses to increase as a percentage of revenue, affecting our profitability.

For purposes of hedging our exposure to foreign currencies, we have engaged in derivative transactions; specifically, we have entered into foreign exchange forward contracts to mitigate the foreign exchange risk on U.S. Dollars, New Zealand Dollars and British Pounds. Additionally, in some countries such as India, Russia, Mexico, Brazil, Turkey and Indonesia, the costs of mitigating the exchange risk are too high and our local subsidiaries are, therefore, forced to run the risk of adverse changes in the exchange rate of the local currency. A change in balances or significant foreign currency exchange rates fluctuations in the future could adversely affect our business, results of operations and financial condition. Some currencies may not be convertible or exchangeable, or may be subject to exchange controls. In addition, where possible, our subsidiaries may enter into local funding and/or leasing arrangements denominated in their functional currency.

Our international operations, particularly in emerging markets, expose us to risks inherent to international business (including difficulties in enforcing our legal rights in certain foreign jurisdictions), any of which could affect our results of operations.

We distribute products to over 100 countries. In 2011, 2012 and 2013, 83.0%, 88.3% and 88.6%, respectively, of our revenue from sales and services generated outside of Italy.

As part of our business strategy, we will continue to seek to expand our sales and market share in various international markets, particularly in emerging markets. The economies of some of these countries differ from the economies of Western Europe and in some cases present a greater risk profile. Relevant risks include the levels of political instability and government involvement, development, growth rate and control of foreign exchange. Many of the countries where we operate, or propose to operate, have implemented measures aimed at improving the business environment and providing a stable platform for economic development. However, the political, economic and legal reforms necessary to complete such a transformation may not be implemented fully, or may not be successful.

In addition, policies, measures, controls or other actions implemented by the governments of countries which we target for increased sales or in which we establish manufacturing facilities may restrict our business operations or harm our financial results. As a result, our operations are therefore subject to many of the risks inherent in conducting business in numerous jurisdictions, particularly in emerging markets, including, among others:

- recessionary trends, inflation or instability of financial markets;
- differences and unexpected changes in regulatory environments, including with respect to, among other matters, public contracts, planning, facility construction, land use, fire, health and safety, environment, intellectual property and employment;
- legal uncertainty, including lack of judicial or administrative guidance in interpreting local rules and regulations; inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, nullification, modification or renegotiation of orders; lack of developed legal systems to enforce contractual rights and ineffective legal redress in the courts or arbitration tribunals of such jurisdictions and reversal of current policies (including favorable tax and lending policies) encouraging foreign investment or foreign trade by the governments in countries in which we operate as well as a higher degree of discretion on the part of government authorities;
- varying tax regimes that could harm our results of operations, including withholding and other taxes on remittances and other payments by our subsidiaries;
- exposure to different legal and regulatory standards (including standards of care and the prospect of damages under tort rules with which we are not familiar), enforcement mechanisms and the cost of compliance with those standards;
- longer payment terms for debtors on our accounts receivable and difficulties of collecting our accounts receivable;
- tariffs, quotas, duties, export controls, import restrictions and other trade barriers;
- changes in immigration policies and regulations;
- labor unrest;
- litigation, regulatory and administrative proceedings, including proceedings that could take years to be resolved;
- higher interest rates and local inflation affecting our cost base;
- currency devaluation and fluctuations in currency exchange rates;
- the seizure of property by nationalization or expropriation without fair compensation;
- significant devaluation of financial assets;
- foreign exchange controls and restrictions on repatriation of funds;
- increased risk of corruption self-dealing or other unethical practices among business partners in less developed regions of the world that may be difficult to deter or remedy;
- embargoes or sanctions;
- acts of war, civil unrest, *force majeure* and terrorism; and
- political and social instability.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial systems to abide by legal requirements and negotiated agreements may be uncertain, creating particular concerns with respect to licenses and agreements for our business. These licenses and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

Furthermore, distance from our principal locations can make it difficult to implement and impress upon local workforces our policies on matters such as health and safety and prevention of corruption, and can present challenges in the supervision of our employees. Failure to deliver consistently high standards across all of our fields of operations could create risks for us, including reputational risk, and may adversely affect our business, results of operations and financial condition. Further, our local counterparties will often have better knowledge of their local legal system (including of the judicial and arbitration system) than we do, and may have the ability to exert more influence over proceedings in local jurisdictions than we do, which may place us at a disadvantage compared to them.

We are exposed to these risks in all of our foreign operations to some degree, and such exposure could be material to our financial condition and results of operations in emerging markets where the political and legal environment is less stable. For example, in Nepal, until the most recent change in government, our activities were limited by restrictions imposed by the prior government tantamount to a blacklist. We cannot assure you that we will not be subject to material adverse developments with respect to our international operations, nor can we assure you that we will be able to develop and implement systems, policies and practices to insure effectively against or manage these risks or that we will be able to ensure compliance with all applicable regulations without incurring additional costs. The occurrence of any of the foregoing circumstances, or the deterioration of local political and/or social situations, could adversely affect our business, results of operations and financial condition.

We occasionally operate our subsidiaries with the support of minority investors and through joint ventures with partners, each of whose interests may not be fully aligned with ours.

We occasionally operate our subsidiaries with the support of minority investors and through partnerships and joint ventures in foreign jurisdictions, as is the case in, among others, Tekno Maccaferri in Turkey, P.T. Maccaferri Indonesia, SUN-B Maccaferri Co. Ltd. in South Korea and Maccaferri de Perù S.A.C. We own at least a 50% stake in all of our joint ventures/partnerships, but often rely on our partners and minority investors to contribute to managing our business in certain jurisdictions and to fulfill their obligations towards us and/or our customers. There may be instances where our partners' and minority investors' interests are not directly aligned with ours.

In certain jurisdictions, we rely on our partners' and minority investors' expertise or relationships. For example, certain of our partners and minority investors' control the relationship with customers and it may be difficult for us to establish direct contact with these customers. We may also be dependent on the expertise of our partners and minority investors in assessing costs for certain contracts. Should such partners or minority investors provide inaccurate advice, we may be unable to perform the obligations under the contract or may be subject to unexpected increased costs. Further, any disagreements as to the terms, procedures or management of any project may determine the inability on our side to complete the development of certain projects on time.

Our future growth depends, in part, on developing new applications and end-markets for our products.

Changes in legislative, regulatory or industry requirements or competitive technologies may render certain of our products obsolete. For example, expected heightened technical requirements for steel wire coatings will require us to update our product offerings to comply with new mandatory requirements. We place a high priority on developing new products, as well as enhancing our existing products, and our success depends on our ability to anticipate changes in regulatory and technology standards and to cultivate new applications for our products as the end-markets in which we operate evolve. This is particularly true of the geosynthetics market. An inability to successfully develop and introduce new solutions and new addressable markets for our products in response to changes in regulations, changing market conditions or customer requirements or demands, could adversely affect our business, results of operations and financial condition. Furthermore, we cannot be certain that any new or enhanced product will generate sufficient sales to justify the expenses and resources devoted to such product diversification effort.

Our future sales depend, in part, on our ability to bid and win new orders. Our failure to effectively obtain future orders could adversely affect our profitability.

From time to time, our sales and overall results of operations require us to successfully bid on new orders that are occasionally subject to competitive bidding processes. To secure these orders, we must make a significant commitment of resources, in terms of workforce, management time and operational and financial resources, as well as commit to bidding in a complex and competitive bidding process with lengthy award procedures. It is generally very difficult to predict whether and when we will be awarded such orders, due to the complexity of the bidding and selection process and to the fact that such process is affected by a number of factors, such as market conditions, financing, commodity prices, environmental conditions and government policies. If, at the end of the bidding process, we decide not to submit a bid, or if, having submitted a bid, we do not succeed in winning an order for a new project, the costs incurred during the process would not be recoverable and we could fail to increase or even maintain our volume of order intake, net sales and net income, which may adversely affect our business, results of operations and financial condition.

Events beyond our control, including weather conditions and natural disasters, unexpected geological or physical conditions, or criminal or terrorist attacks, among other things, may affect our timing, costs and our ability to complete orders, which could adversely affect our business, results of operations and financial condition.

We currently operate 31 manufacturing facilities on five different continents. Any one of these facilities, or the equipment located therein, may be subject to unfavorable weather conditions in certain periods of the year, including, for example, heavy rains and typhoons in China, India in Southeast Asia and the Philippines and hurricanes in the U.S. and Central and South America from July to November, and heavy snowfalls during the winter in North America and Northern and Eastern Europe, or any other catastrophe or other adverse physical conditions. Such situations are rare, but can sometimes lead to a temporary suspension of work at our manufacturing facilities and delays in the completion of orders. For example, our manufacturing facility in central Italy has been, on one recent occasion, subject to flooding and in some locations, including Italy and the northeast of the U.S., heavy snow occasionally makes it difficult for employees to reach manufacturing facilities. Any natural disaster or catastrophe could result in lost revenue at the affected sites during the period of disruption and costly remediation, and such cost overruns would generally be unrecoverable. We may not always be able to pass any cost increases due to such unfavorable conditions to our customers, and as a result, the occurrence of such an event could adversely affect our business, results of operations and financial condition.

The costs and difficulties of acquiring and integrating complementary businesses and technologies and expansion capital expenditures could impede our future growth and adversely affect our competitiveness.

As part of our strategy, we may consider acquiring complementary businesses. Acquisitions, however, involve significant costs. Furthermore, future acquisitions could result in the incurrence of debt and contingent liabilities, which could adversely affect our business, results of operations and financial condition. Risks we could face with respect to acquisitions include, but are not limited to:

- greater than expected costs and management time and effort involved in identifying, completing and integrating acquisitions;
- risks associated with unanticipated events or liabilities;
- potential disruption of our ongoing business and difficulty in maintaining our standards, controls, information systems and procedures;
- entering into markets and acquiring technologies in areas in which we have little experience;
- the inability to successfully integrate the products, services and personnel of any acquisition into our operations;
- a need to incur debt, which may reduce our cash available for operations and other uses; and
- the realization of little, if any, return on our investment.

Given the risks of expansion, we cannot ensure that future investments will result in the anticipated benefits. Some of those risks to which we may be exposed despite due diligence on any potential target company include integration of the acquired company with our operations and unanticipated liabilities or contingencies related to the acquired company. Costs could be incurred on pursuits or proposed acquisitions that have not yet or may not close, which could adversely affect our business, results of operations and financial condition. Unforeseen issues could arise which adversely affect the anticipated returns or which are otherwise not recoverable as an adjustment to the purchase price.

The nature of our activities and operations may expose us to reputational and liability risks.

Our products are used in significant public works projects including, among other things, containment systems for soil stabilization/retention and for the prevention of groundwater contamination. Accordingly, we face an inherent business risk of exposure to product liability claims (including claims for strict liability and negligence) for our actions and/or the actions of our partners (see "*—General risks relating to our business and industry—We rely on our partners but have limited control over their activities*"). We may have increased liability if such negligence results in personal injury or death, an environmental harm and/or extensive damage to third-party property. Such catastrophic incidents could expose us to claims for personal injury, wrongful death or property damage or claims by customers, governments, employees or members of the public, which could lead to the payment of extensive damages, and result in significant adverse publicity and reputational harm, all of which, separately or as a whole, could lead to a loss of business and could adversely affect our business, results of operations and financial condition.

In addition, some of the projects in which our products are currently being used might provoke public debate, protests or opposition to their completion, which could cause delays, suspension, postponement or cancellation of the project. This could result in our customers not making future orders and/or attempting to cancel their current orders, which could adversely affect our business, results of operations and financial condition and our association with any such project could harm our reputation.

Our business depends on certain key persons and the loss of such persons may affect our business and our ability to implement current and future strategies.

We rely on an experienced and qualified management and technical team, including our team of engineers who lead our research and development efforts and help design and execute integrated solutions for our clients. Any inability to attract and hire new qualified personnel or to retain experienced management and technical staff could limit or delay our business development efforts. In addition, if certain key members of our senior management or technical staff were to terminate their relationships with us and we were not able to find suitable replacements in a timely manner, our business, results of operations and financial condition could be adversely affected.

As we expand our presence in emerging markets it may be difficult to find management or technical personnel who are qualified to operate our business and are dedicated to providing our products in a manner consistent with our high product quality standards. An inability to find qualified management and technical personnel who will adhere to our superior product standards could result in the offices in some of our emerging markets producing products that are inconsistent with the products made in some of our more established offices. This discrepancy in the quality of our products could cause some of our customers to be dissatisfied with the products they receive, and could harm our reputation. As a consequence, these customers could cancel orders they have placed for our products and/or cease placing orders with us altogether and instead order products from our competitors.

Our failure to successfully maintain health and safety policies and procedures could expose us to liability.

Manufacturing large-scale construction products is inherently dangerous. We have adopted health and safety policies and procedures in order to minimize such risks. For example, we have set forth various specific guidelines for job-site safety procedures that differ from country to country and can be easily adopted by our subsidiaries. There can be no assurance, however, that a failure in such policies and procedures will not occur. A failure by any of our products may result in serious harm to employees, subcontractors, the public or the environment. Any failure of, or accident caused by, our products or production equipment could expose us to investigations, prosecutions and/or civil litigation, each of which could result in an increase in costs for fines, settlements and management time. Such failures could also adversely affect our reputation and our ability to attract new customers. If any of the foregoing circumstances were to occur, this could adversely affect our business, results of operations and financial condition.

Work stoppages and other labor problems could negatively impact our future profits.

As of December 31, 2013, we had 2,937 full-time employees worldwide. Most of the countries where we operate have labor laws that ensure a high level of protection for employees, including the European Union, the U.S., Canada, Mexico, Costa Rica, Peru, Brazil, Argentina, South Africa, Turkey and the Philippines, and some of our employees are, or may in the future be, represented by labor unions. When one or more of the collective bargaining agreements to which a material number of our employees are subject is renegotiated, we may disagree with the union on important issues that, in turn, could lead to a strike, work slowdown or other industrial action. There can be no assurance that we will be able to renew existing labor union contracts on mutually acceptable terms. A strike, work slowdown or other action could result in the effective closure of our facilities, or disrupt us from delivering our products, which would result in increased costs and/or reduced revenue. Additionally, we may incur expenses in resolving disputes and complying with local laws relating to overtime, social security and pension contributions, occupational risk matters and other labor-related issues. We may also incur increased labor costs due to competition, increased minimum wage, employee benefit costs, medical benefits costs that could otherwise adversely affect our business, results of operations and financial condition.

Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.

Our insurance policies are subject to limits and exclusions. Furthermore, our coverage levels differ from country to country based on local business practices and/or laws regarding minimum coverage levels. There can

be no assurance that our insurance program would be sufficient to cover all potential losses (including, without limitation, those resulting from earthquakes, floods, hurricanes, environmental hazards or terrorist acts), that we will be able to obtain sufficient levels of insurance coverage in the future or that such coverage will be available on terms acceptable to us. In addition, recent turmoil and volatility in the global financial markets may adversely affect the insurance market. This may result in some of the insurers in our insurance portfolio failing and being unable to pay their share of claims.

Additionally, there may be no protection against the risk that customers will fail to pay in full or on time. We have also had instances where our insurance carriers have disputed coverage and have argued that our policies do not cover certain losses. An uninsured or underinsured loss could adversely affect our business, results of operations and financial condition.

We may experience warranty claims that increase our costs.

We provide our customers with limited material product warranties. Our limited product warranties typically last ten years. These warranties are generally limited to repair or replacement of defective products or workmanship, often on a prorated basis, up to the dollar amount of the original order. In some foreign orders, we may be required to provide the customer with specified contractual limited warranties as to material quality. Our product warranty liability in many foreign countries is dictated by local laws in addition to the warranty specified in the orders. Failure of our products to operate properly or to meet specifications may increase our costs by requiring additional engineering resources, product replacement or monetary reimbursement to a customer. We have received warranty claims in the past and we expect to continue to receive them in the future. Warranty claims are not covered by insurance, and substantial warranty claims in any period could adversely affect our business, results of operations and financial condition as well as on our reputation.

We are subject to extensive legal, administrative and regulatory requirements and to changes in regulations.

In each of the jurisdictions in which we operate we are subject to a number of specific, demanding and evolving legal, administrative and regulatory requirements with respect to, among other matters, public contracts, materials production, health and safety, environment and employment. The national and local laws and regulations governing such matters in the various places we have operations are often complex and fragmentary. The application of such laws and regulations and their interpretation by the relevant authorities is sometimes unpredictable and inconsistent. Any failure by us to comply with, or any changes to, applicable laws, regulations and rules, or changes to the interpretation thereof, could result in delays, may increase the cost of ongoing projects or could expose us to penalties, fines, criminal prosecutions, civil claims or other unforeseen costs. Difficulties and uncertainties in the application of laws and regulations may also give rise to litigation, and changes in laws and regulations may have an impact on our financial and operations planning which could, in turn, adversely affect our business, results of operations and financial condition.

Our business is subject to stringent environmental regulation.

We are subject to significant environmental regulation, which, among other things, requires us to obtain regulatory licenses, permits and other approvals and to comply with the requirements of such licenses, permits and other approvals. There can be no assurance that laws or regulations will not change or be interpreted in a manner that increases our costs of compliance or adversely affects our operations or facilities, or the plans of the Companies to which we provide our products.

In addition, many of our current facilities and properties have long histories of industrial operations, some of which were of a different nature than our current operations. We also have indirect responsibility for a large number of sites relating to companies we acquired and now own or operate that, in the past, had businesses and operations unrelated to those presently carried out by us. On many of these sites, now or in the past, waste and hazardous substances could have been used, stored or released in significant quantities. Although our remedial responsibilities at these sites have not been material to date, the ultimate cost of remediation is difficult to accurately predict, and we could incur significant cost as a result of the discovery of contaminations or the imposition of remediation obligations at these or other sites in the future, including related governmental fines or other sanctions and claims for property damages or personal injury. We may have failed to properly identify and assess potential risks for these acquired facilities. In such a case, we might not succeed in claiming damages or indemnification against the relevant seller. Furthermore, there is only limited insurance coverage for financial liabilities arising from soil, water and other forms of contamination. See "*—Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase*".

We can give no assurance that, in the future, we will continue to be in compliance or avoid material fines, penalties, sanctions and expenses associated with compliance issues in the future. Violation of such regulations may give rise to significant liability, including fines, damages, fees and expenses, and site closures. Generally, relevant governmental authorities are empowered to clean up and remediate releases of environmental damage and to charge the costs of such remediation and cleanup to the owners or occupiers of the property, the persons responsible for the release and environmental damage, the producer of the contaminant and other parties, or to direct the responsible parties to take such action. These governmental authorities may also impose taxes or other liens on the responsible parties to secure the parties' reimbursement obligations. Environmental legislation may also require any environmental damage, regardless of whether it is as a result of a breach of regulation or not, to be remediated by the damaging party. The nature of our activities implies that we may cause environmental damage even if we abide by applicable laws and regulations, and, as a result, may have to remediate any damage we have caused, which may result in unforeseen additional costs with the consequent impact on our margins and results of operations.

Environmental regulation has changed rapidly in recent years, and it is possible that we will be subject to even more stringent environmental standards in the future. For example, our activities are likely to be covered by increasingly strict national and international standards relating to CO_2 emissions and related costs, and may be subject to potential risks associated with climate change, which could adversely affect our business, results of operations and financial condition. We cannot predict the amounts of any increased capital expenditures or any increases in operating costs or other expenses that we may incur to comply with applicable environmental, or other regulatory, requirements, or whether these costs can be passed on to customers through product price increases.

Our risk management and internal controls may not prevent or detect violations of law.

Our existing compliance controls, including our corporate ethical code, may not be sufficient to prevent or detect inadequate practices, fraud and violations of law by our employees, intermediaries, partners, sales agents and employees. In the case that any intermediaries, consultants, sales agents, partners or employees with whom we cooperate receive or grant inappropriate benefits or use corrupt, fraudulent or other unfair business practices, we could be confronted with legal sanctions, penalties and loss of orders and harm to our reputation. Especially given our worldwide operations in a variety of markets, complex group structure, size and the extent of our cooperation with intermediaries, consultants and sales agents, our internal controls, policies and our risk management may not be adequate, which could adversely affect our reputation, business, results of operations and financial condition.

We are also required to comply with anti-corruption and anti-bribery laws in the countries where we conduct our operations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act. In recent years, there has been a general increase in both the frequency and severity of enforcement under such laws. Furthermore, a company may be found liable for violations by its employees, as well as its third-party agents. Although we have adopted standard financial controls to mitigate such risks, such measures may not be effective in ensuring that we, our employees or third party agents will comply with such laws. If we are subject to an enforcement action or found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions, which could adversely affect our business, results of operations and financial condition.

Our international sales are subject to various jurisdictions' economic sanctions, export control and anti-corruption laws and regulations, which increases the risk that we may become subject to significant penalties for violating such laws.

We operate on a global basis and are subject to laws of the EU the U.S. and other jurisdictions regulating the export of our products to certain countries. We do not believe that any of our exports or customers are designated or targeted by EU or U.S. sanctions. However, we do not currently maintain formal written policies detailing how to comply with sanctions, export controls or anti-corruption laws and regulations. Although we are committed to conducting our operations in accordance with applicable laws and will implement such policies, the absence of formal policies detailing specific compliance procedures may make it more difficult to control and monitor full compliance of our activities in countries subject to sanctions and the applicable anti-corruption laws of the EU, U.S. or other jurisdictions. Failure to comply with these laws could expose us to civil and criminal prosecution and penalties, the imposition of export or economic sanctions against the Group, and reputational damage, all of which could adversely affect our business, results of operations and financial condition.

A significant portion of our business is conducted through foreign subsidiaries and repatriating cash from certain of these subsidiaries could have negative tax consequences.

In 2011, 2012 and 2013, 83.0%, 88.3% and 88.6%, respectively, of our revenue from sales and services was generated outside of Italy. As of December 31, 2013, €22.7 million, or 40.1%, of our cash, cash equivalents and other current financial assets was held outside of Italy.

In general, when an entity in a foreign jurisdiction repatriates cash to Italy, the amount of such cash is taxable at Italian tax rates. In particular, our subsidiaries in Malaysia, Argentina and India are subject to significant restrictions, including exchange controls, limitations on shareholder loans and capital controls. In addition, Malaysia is consider a "blacklisted" country by the Italian fiscal authorities, meaning that any dividend payment from Malaysia should be integrally taxed and not taxed on the reduced rate of 5%. As a result, we have no current plans to repatriate cash dividends from our operations in those countries. An inability to repatriate revenue without incurring negative tax consequences could impair our ability to make payments on our debt or otherwise increase the effective cost of our indebtedness.

An unfavorable outcome of current or future legal proceedings could adversely affect our business, results of operations and financial condition.

We are involved in certain legal, regulatory and arbitration proceedings (including tax audits) involving claims by and against us in the ordinary course of business. Since we engage in engineering and assembling large construction solutions for construction clients where design, construction or systems failures can result in substantial injury or damage to employees or others, we are exposed to the risk of substantial claims and litigation if there is a failure by any of our products. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution and environmental damage, and be brought by our customers or third parties, such as those who use or reside near our customers' projects. We can also be exposed to claims if we agreed that a product will achieve certain performance standards or satisfy certain technical requirements and those standards or requirements are not met.

We occasionally bring claims against our customers for failure to pay under the terms of their purchase orders or contracts. From time to time, these claims can be the subject of lengthy and costly arbitration or litigation proceedings, and it is often difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we may incur financial charges pending the resolution of the relevant claims. Although any favorable court decision would also likely lead to the full or partial reimbursement of interest as financial charges, a failure to promptly recover on these types of claims or to recover the full amount expected could adversely affect our business, results of operations and financial condition.

While it is not feasible to predict or determine the ultimate outcome of these proceedings, whenever there are circumstances that give rise to well-founded expectations by third parties that we are responsible for the fulfillment of any obligation, we have made consistent allocations to risk provisions, recognized as liabilities in our financial statements. In the aggregate, as of March 31, 2014, our provision for risk and charges include a provision to cover risks related to business activities of approximately € 4.9 million (which include provisions of approximately €1.5 million related to the matters described in "*Business—Legal and Regulatory Proceedings*"). However, our estimates are based on expectations, beliefs and assumptions on future developments that are subject to inherent uncertainties. The results of pending or future legal proceedings are inherently difficult to predict, and we can provide no assurance that we will not incur losses in connection with current or future legal or regulatory proceedings (including tax audits) or actions that exceed any provision we may set aside in respect of such proceedings or actions or that exceed any insurance coverage available. Accordingly, in the event that the provisions relating to litigation are inadequate, any losses or expenditures exceeding such limited coverage could adversely affect our business, results of operations and financial condition. See "*Business—Legal and Regulatory Proceedings*".

We are subject to risks associated with intellectual property and proprietary technology.

We rely across our business on a combination of trade secrets and intellectual property laws, non-disclosure and other contractual agreements and technical measures to protect our know-how, trademarks and patents. The need to protect our intellectual property is particularly strong in the tunneling and aquaculture segments, and protecting our know-how is a concern in areas where we have developed a specific expertise, such as our experience in rockfall protections and gabion retaining structures. The measures we take may not be sufficient to

protect our technology and know-how from third-party infringement (or in certain cases from infringement by employees or other team members) and, notwithstanding any remedies available, could subject us to increased competition or cause us to lose market share. Furthermore, we are not able to protect products or designs for which patent applications are denied or once-valid patents have expired. We also face risks with respect to the protection of our proprietary technology and know-how because the markets where we operate include jurisdictions that provide less protection for intellectual property than is provided under the laws of the European Union.

Unauthorized use of our intellectual property could weaken our competitive position and could reduce the value of our products, services and brand. Monitoring unauthorized use of intellectual property rights can be difficult and expensive, and adequate remedies may not be available. It is also possible that our competitors or others could independently develop technologies similar or identical to our trade secrets. In such cases, our trade secrets would not prevent third parties from competing with us.

Finally, we may also infringe on the intellectual property rights of others, which may subject us to adverse claims and protracted and costly litigation, may subject us to liability if we are found to have infringed upon third parties' intellectual property rights, and, regardless of the merits or ultimate outcome, may divert management's attention from the operation of our business. A negative result in any litigation or proceeding in which we are a party could make us liable to third parties and require us to obtain licenses (including nonexclusive licenses) from third parties that may not be available on reasonable terms, or at all, or to pay royalties. Any of the above scenarios could adversely affect our business, results of operations and financial condition.

We are required to obtain and maintain permits, licenses and authorizations.

We may often be required to obtain, maintain and comply with required licenses, permits and authorizations for the investments of our minority investors and our production facilities in the different countries in which we operate, including in Russia. Delays in, or failure to, obtain, renew or maintain required permits, licenses and authorizations, or the revocation of or any challenge relating to any license, permit and authorization may result in inspections of our local facilities or capital structure by the relevant state authorities, which may impose fines, require the return of money invested by minority investors or suspend or, in certain circumstances, close the relevant manufacturing facilities, any of which may have an adverse effect on our business, results of operations and financial condition.

We have not included IFRS financial information in this offering memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian-GAAP and IFRS.

Our consolidated financial statements included in this offering memorandum are based on Italian-GAAP, which differs in certain respects from IFRS. We have not presented a reconciliation of our financial statements to IFRS in this offering memorandum. We may adopt IFRS for our consolidated financial statements in future years. Because there are differences between Italian-GAAP and IFRS, if we were to prepare our financial statements on the basis of IFRS instead of Italian-GAAP, there could be substantial differences in our results of operations, cash flows and financial position, including levels of indebtedness.

If we adopt IFRS, the Indenture requires us to report according to such standards, and the covenant calculations will be based on the relevant standards, subject to certain exceptions relating to the treatment of leases. There could be significant differences in our reported results between our newly adopted standards and Italian-GAAP. We will not be required to reconcile these differences. In addition, our covenants may become more or less restrictive from time to time, depending upon the effect of the standards we adopt. This could result in our being able to take actions that might be to your detriment, such as incurring greater amounts of debt than would otherwise have been possible, or not being able to take actions that would otherwise be to your benefit, such as making investments. See "*Annex A: Summary of certain differences between Italian-GAAP as compared to IFRS*" and "*Description of the Notes*".

Risks Related to Our Capital Structure

The Company is largely dependent on receiving payments from other members of the Group to make payments on its Note Guarantee or meet its other obligations. Such other members may not be able to make such payments in some circumstances.

Most of the Group's revenue-generating activities are carried out by subsidiaries of the Company. As a result, in order to make payments on the Notes or meet its other obligations, the Company will be dependent

upon receiving payments from its subsidiaries in the form of dividends and the making, or repayment, of loans and advances to the Company. Such payments may be restricted. The ability of our subsidiaries to make payments to the Company will depend upon their cash flows or earnings, which, in turn, will be affected by all of the factors discussed in these "*Risk Factors*". Furthermore, certain of our operating subsidiaries have debt agreements which may restrict the ability of certain members of our Group to make distributions or other payments to creditors. See also "*Description of Certain Financing Arrangements*". We cannot assure you that arrangements with the Company's subsidiaries will provide the Company with sufficient dividends, distributions or loans to fund payments on the Note Guarantees if and when required.

We are controlled by SECI whose interests may not be fully aligned with the interests of the holders of the Notes.

As of the date of this Offering Memorandum, SECI beneficially owns 100% of the Company's Shares and controls 100% of our voting rights. See "*Principal Shareholders*". The interests of our principal shareholder may not in all cases be aligned with your interests. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of SECI might conflict with your interests as a holder of the Notes. In addition, SECI may have an interest in causing our Board of Directors to declare dividends, incur additional indebtedness or pursue acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investments, even though such transactions might involve risks to you as a holder of the Notes.

We are exposed to risks related to Group companies that include non-controlling interest holders.

We conduct our business through operating subsidiaries. In some instances, third-party shareholders hold minority interests in these subsidiaries. While we generally consider entering into such partnerships or investments to be positive developments, various disadvantages may also result from the participation of minority shareholders whose interests may not always coincide with ours. Some of these disadvantages may, among other things, result in our inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively. We may also incur liabilities related to earn-out or put and call agreements we have signed with sellers of acquired businesses. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Arrangements Regarding Minority Interests in our Subsidiaries*" and "*—Liquidity and Capital Resources*".

In addition, pursuant to certain arrangements with SIMEST, a minority shareholder in a number of our international subsidiaries, we are required to make annual payments on equity invested by SIMEST in order to benefit from the full rights on such shareholding (usufruct—voting and economic rights) in such subsidiaries. See "*Description of Certain Financing Arrangements—SIMEST Arrangements*" for additional information.

Italian tax legislation may restrict the deductibility of all or a portion of the interest expense on our indebtedness, including interest expense in respect of the Notes.

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of December 22, 1986, as amended and restated) ("**Decree No. 917/1986**") allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the operating income of an Italian tax resident company (*i.e., risultato operativo lordo della gestione caratteristica*) ("**ROL**") as recorded in such company's profit and loss account. The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years and deducted, provided that and to the extent that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. In the case of a tax group, interest expense not deducted by an entity within the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group. This 30% threshold applies to the Italian subsidiaries of the Company. Over the last several years a relatively limited amount of the Group's ROL has been generated in Italy. However, pursuant to the existing tax group, including SECI, the Group has been able to benefit from significant ROL generated at SECI to enable a greater amount of interest expense deduction with respect to indebtedness of the Issuer. Accordingly, if the tax consolidation with SECI were broken for any reason or if SECI were to produce less ROL, the Group's ability to deduct interest expense could be limited or otherwise impaired, thereby increasing the burden of the Group's indebtedness.

In addition, Article 3(115) of Law No. 549 of December 28, 1995 sets forth certain limitations to the deductibility of interest expense arising from bonds or notes issued by Italian companies other than banks or listed companies. However, under the provisions of Article 32 of Law Decree No. 83 of June 22, 2012, interest on the Notes is deductible to the extent mentioned above provided that the Notes are listed for trading (negoziati) on a regulated market or on a multilateral trading facility of a Member State of the European Union and of the States of the European Economic Area included in the approved list provided for by Article 168-bis of Decree No. 917/1986. For more information, see "*Tax Considerations—Certain Italian Tax Considerations*".

Furthermore, inter alia, under Article 110 (10) of Decree No. 917/1986, the deductibility of expenses paid to non-Italian resident investors which are resident in a country not included in the white list provided for by Article 168-*bis* of Decree No. 917/1986 could suffer certain limitations.

The proceeds of the Notes will be used by the Issuer, in part, to make a distribution to SECI, extend a loan to SECI and purchase our headquarters from SECI. See "*Use of Proceeds*". According to Italian corporate law, an Italian company must receive a real and adequate benefit when entering into a transaction. The concept of a real and adequate benefit is not specifically defined in the applicable Italian legislation and is determined by courts by undertaking a factual analysis on a case-by-case basis. As a general rule, corporate benefit does not per se coincide with the interest of the company's shareholders and is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. Transactions featuring debt financings of repayments to shareholders, such as the Offering, are largely untested in Italian courts. In particular, limited guidance is provided by Italian case law and Italian legal commentators as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Challenges based on lack of corporate benefit could materially and adversely affect the Notes and the rights and claims of the holders of the Notes arising under the Notes. See "*Limitations on Validity and Certain Insolvency Law Considerations*" for further details.

Moreover, (i) any future changes in Italian tax laws or in their interpretation or application (including any future limitation on the use of the ROL of the Company and its subsidiaries), or (ii) the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or (iii) a change in the interpretation and application by Italian tax authorities of Italian tax law may result in our inability to fully deduct our interest expense, which may have an adverse impact on our financial condition.

Furthermore, if the Italian tax authorities were to successfully challenge the use of proceeds from the Offering to make a refinancing under the "inherence" principle, we may be unable to fully deduct our interest expenses or be subject to significant penalties or other consequences that could have a material adverse effect on our financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

The international scope of our operations and our corporate and financing structure may expose us to potentially adverse tax consequences.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect our business, results of operations and financial condition or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

In addition, the financial resources arising from the issuance of the Notes will be used, *inter alia*, to finance, directly or indirectly, our foreign subsidiaries. For more information, see "*Use of Proceeds*". Therefore, the tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness, including the Notes, payments or other distributions to our shareholder, existing and future intercompany loans and guarantees or the deduction of interest expenses.

According to home-country and international rules and best practices, our intra-group transactions are executed at fair value and fair market conditions and in compliance with the laws currently in force. However, we could fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of various of our financing arrangements, which could result in unfavorable tax treatment for such arrangements. If any applicable tax authorities were to successfully challenge the tax treatment or characterization of any of our intercompany loans or transactions, it could result in the disallowance of deductions, limit our ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and accrued interest on intercompany loans or internal deemed transfers, the application of significant penalties and accrued interest or other consequences that could adversely affect our business, results of operations and financial condition or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Risks Related to Our Indebtedness

Our significant leverage may make it difficult for us to service our debt, including the Notes, and operate our businesses.

Upon completion of the Offering of the Notes, our net leverage will increase and we will continue to have a substantial amount of outstanding debt with significant debt service requirements. As of March 31, 2014, on an as adjusted basis after giving effect to the issuance and sale of the Notes in this Offering and the application of a portion of the proceeds therefrom used for debt repayment (€143.7 million) and the other uses set forth in this Offering Memorandum, our consolidated gross debt would have been €226.2 million. Our significant leverage could have important consequences for you as a holder of the Notes, including:

- making it more difficult for the Company and the Guarantors to satisfy their obligations with respect to the Notes, the Note Guarantees and their other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes;
- increasing our vulnerability to economic downturns in our industry;
- exposing us to interest rate increases;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry;
- restricting us from pursuing acquisitions, or exploiting certain business opportunities;
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings; and
- subjecting us to a greater risk of non-compliance with financial and other restrictive covenants in its debt facilities.

In addition, we expect to use €21.3 million of the gross proceeds from the Offering of the Notes for general corporate purposes. See "*Use of Proceeds*". Until we deploy these proceeds, such funds are likely to generate negative carry as they incur interest at a rate that exceeds their return when held in cash.

The Group may not have enough cash available to service its debt.

Our ability to make scheduled payments on the Notes and to meet our other debt service obligations or to refinance our debt depends on our future operating and financial performance, which will be affected by our ability to successfully implement our business strategies as well as general economic, financial, competitive, regulatory, technical and other factors, including the other factors discussed in this "*Risk Factors*" section, that are beyond our control. If we are not able to generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditure or sell material assets. We cannot assure you that we will be able to refinance any of our debt, including the Notes, on commercially reasonable terms, if at all. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. In that event,

borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand and we may not have sufficient funds to repay all of our debts, including the Notes. See also "*Description of Certain Financing Arrangements*".

Despite our current significant leverage, we may be able to incur more debt in the future, which could further exacerbate the risks of the Group's leverage. This additional debt may be structurally senior and/or secured.

We have incurred significant amounts of debt and may incur more debt in the future. Our Ifitalia Factoring Facility provides for commitments for us to factor receivables on both a recourse and non-recourse basis of up to €30.0 million outstanding at any time.

In addition, we may incur substantial additional debt in the future. The terms of the Indenture will limit, but not prohibit us from incurring additional debt, including under the Ifitalia Factoring Facility and existing unsecured, uncommitted credit lines or by a non-Guarantor or debt that is secured on assets of the Group, which debt would be satisfied ahead of the Notes and the Note Guarantees. The incurrence of additional debt would increase the leverage-related risks described in this Offering Memorandum.

Borrowings under certain of our indebtedness, including the SIMEST Arrangements bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Certain of our indebtedness, including the SIMEST Arrangements, that will remain outstanding subsequent to the issuance of the Notes bears interest at floating rates of interest equal to EURIBOR plus a margin. These interest rates could rise significantly in the future. We may enter into certain hedging arrangements designed to fix a portion of these rates, although there can be no assurance that we will enter into hedging or that hedging will be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

Risks Related to the Notes and Note Guarantees

The claims of the holders of the Notes will be effectively subordinated to the rights of our future secured creditors to the extent of the value of the assets securing such indebtedness.

The Notes and the Guarantees will not be secured by any assets of the Group. The Indenture will provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur secured indebtedness that will be effectively senior to the Notes and the Note Guarantees to the extent of the value of the assets that secure that indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets securing any secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness. As of the Issue Date, we had no secured indebtedness outstanding other than certain recourse factoring under the Ifitalia Factoring Facility and finance leases.

In addition, the Indenture will permit Liens on property or assets to enable the Company or one of our restricted subsidiaries to consummate the sale, transfer or other disposition of such property or assets, including (but not limited to) in connection with factoring transactions undertaken on a non-recourse (*pro soluto*) basis, as well as, subject to certain conditions, on a recourse (*pro solvendo*) basis; provided that such sale, transfer or other disposition is undertaken in accordance with the Indenture.

The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries.

The Guarantors will guarantee the Notes. For the twelve months ended March 31, 2014, the Company's non-Guarantor subsidiaries represented approximately 45.8% of our total revenue and 46.0% of our EBITDA. As of March 31, 2014, the Company's non-Guarantor subsidiaries represented 48.3% of our total assets (excluding intangible assets and investments in subsidiaries, associates, joint ventures and other companies). As of March 31, 2014, on an adjusted basis after giving effect to this offering and the use of proceeds therefrom, our non-Guarantor subsidiaries would have had approximately €7.7 million of indebtedness outstanding and would have had significant trade payables and other liabilities outstanding.

The Indenture will, subject to specified limitations, permit our non-Guarantor subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that they may incur. In addition, under certain circumstances, the Note Guarantee of a Subsidiary Guarantor may be released automatically, including:

- in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of such Guarantor, including by way of merger, consolidation, amalgamation or combination, of the share capital of the Subsidiary Guarantor to a person that is not (either before or after giving effect to such transaction) the Company, the Company or one of our restricted subsidiaries, if the sale, disposition, exchange or other transfer is otherwise permitted by the Indenture;
- in connection with any sale or other disposition of the capital stock of the Subsidiary Guarantor to a third party if the sale or other disposition is otherwise permitted by the Indenture;
- if the Company designates the Subsidiary Guarantor or any restricted subsidiary to be an unrestricted subsidiary in accordance with the applicable limitations of the Indenture;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture; or
- in accordance with the "Amendments and Waivers" provisions of the Indenture.

Our subsidiaries that do not guarantee the Notes will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Company or any Guarantor, as a direct or indirect shareholder and the creditors of the Company (including the holders of the Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary. As such, the Notes and Note Guarantees will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-Guarantor subsidiaries.

Enforcing your rights as a holder of the Notes or under the Note Guarantees across multiple jurisdictions may be difficult.

The Notes will be issued by the Company, organized under the laws of the Republic of Italy, and guaranteed by the Guarantors, which are organized under the laws of Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia, Mexico and Hong Kong. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in either of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes, if any. Your rights under the Notes or the Note Guarantees will thus be subject to the laws of Italy, Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia, Mexico and Hong Kong and you may not be able to effectively enforce your rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. There can also be no assurance that you will be able to enforce your rights effectively in such complex, multiple bankruptcy, insolvency or similar proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes or the Note Guarantees in those jurisdictions or limit any amounts that you may receive.

In the event that any one or more of the Company, the Guarantors or any other of the Company's subsidiaries, experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. In the event of bankruptcy, insolvency, administration or similar event, proceedings could be initiated in any of these jurisdictions. In addition, the Issuer and certain Guarantors are organized in Member States of the European Union. Pursuant to the European Council Regulation (EC) No. 1346/2000 on insolvency proceedings, the court that shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company has its "center of main interests". Therefore, to the extent that the "center of main interests" of the Company is deemed to be in Italy, and/or the "center of main interests" of a Guarantor is deemed to be its jurisdiction of organization, different courts may assert jurisdiction over the insolvency proceedings of the Issuer or the relevant Guarantor, as applicable. For a brief description of certain aspects of insolvency law in Italy and as required, the European Council Regulation (EC) No. 1346/2000 on insolvency proceedings, see "*Limitations on the Validity and Enforceability of the Note Guarantees and Certain Insolvency Law Considerations*".

The insolvency laws of Italy, Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia, Mexico and Hong Kong may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar.

The Company and the Guarantors are incorporated and are likely to have their centers of main interests under the laws of Italy, Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia, Mexico and Hong Kong. The insolvency laws of these jurisdictions may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar. Although laws differ among the jurisdictions, in general, applicable fraudulent conveyance, equitable principles, insolvency laws and significant limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Company and/or the enforceability of a Note Guarantee against a Guarantor. A court may also in certain circumstances avoid the Note Guarantee in cases in which the relevant Guarantor is close to or near insolvency.

In particular, the Indenture could be limited in scope and effect by Italian courts to the extent its covenants and provisions, which are untested under Italian case law, could be considered to conflict with mandatory provisions of Italian law. In the event that the Company or any Guarantors or any other of the Company's subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. As a consequence, enforcement of rights under the Notes and the Note Guarantees in an insolvency situation may be delayed and be complex and costly for creditors. See "*Limitations on Validity and Enforceability of the Note Guarantees and Certain Insolvency Law Considerations*" for further information.

The Note Guarantees are significantly limited by applicable laws and are subject to certain limitations and defenses that may adversely affect their validity and enforceability.

The Guarantors will guarantee the prompt payment of the Notes as described in "*Description of the Notes—The Note Guarantees*". The Note Guarantees provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the obligations of the Guarantors and the enforcement of each of their Note Guarantees will be limited to the maximum amount that can be guaranteed by such Guarantor under the applicable laws of each jurisdiction, to the extent that the granting of such Note Guarantee is not in the relevant Guarantor's corporate interests, the burden of such Note Guarantee exceeds the benefit to the relevant Guarantor, such guarantee would be in breach of capital maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such Guarantor to contravene their fiduciary duties and/or incur civil or criminal liability.

Accordingly, enforcement of any such Note Guarantee against the relevant Guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Note Guarantees designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. These laws and defenses include those that relate to fraudulent conveyance or transfer, insolvency, voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. As a result, a Guarantor's liability under its guarantee could be materially reduced or eliminated, depending on the law applicable to it.

It is possible that a Guarantor, or a creditor of a Guarantor, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor, may contest the validity and enforceability of the Guarantor's guarantee on any of the above grounds and that the applicable court may determine that the guarantee should be limited or voided. To the extent that agreed limitations on the guarantee obligation apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor. Future guarantees may be subject to similar limitations. For more information, see "*Limitations on Validity and Enforceability of the Note Guarantees and Certain Insolvency Law Considerations*".

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes and the Note Guarantees.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could void the Notes or subordinate the claims thereunder to other claims against the Company or any Guarantor if it was determined that the Company or any Guarantor, respectively:

- issued the Notes (or granted the Note Guarantee) with actual intent to hinder, delay or defraud creditors or shareholders;
- received less than reasonably equivalent value or fair consideration for issuing the Notes (or granting the Note Guarantee), and, at the time thereof was insolvent or rendered insolvent by reason of issuing the Notes (or granting the Note Guarantee);
- was engaged or about to engage in a business or a transaction for which remaining assets available to carry on business constituted unreasonably small capital;
- intended to incur, or believed that the issuer would incur, debts beyond the ability to pay the debts as they mature; or
- was a defendant in an action for money damages, or had a judgment for money damages rendered against it if, in either case, after final judgment, the judgment is unsatisfied.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot be sure as to what standard a court would apply in making a solvency determination or that a court would conclude that the Company was solvent immediately after the issuance of the Notes. Regardless of the standard that the court uses, we cannot be sure that the issuance of the Notes (or grant of the Note Guarantees) would not be voided or subordinated to our other debt. See "*Limitations on Validity and Enforceability of the Note Guarantees and Certain Insolvency Law Considerations*" for further information.

The Company may amend the economic terms and conditions of the Notes without the prior consent of all the holders of the Notes with the vote of either 75% or 50% of the outstanding Notes.

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in "*Description of the Notes—Meeting of Holders of Notes*," the majority required to pass an extraordinary resolution at any meeting of holders of the Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (50% or 75%) to bind all holders of the Notes, including holders of the Notes who did not attend and vote at the relevant meeting, and holders who vote in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the quorum requirements relating to meetings and/or the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact your rights as a holder of the Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one-half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Company and/or others, and, if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold would be reduced from 75% to 50%.

Transfer of the Notes is restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and resales of the Notes within the United States and other countries comply with applicable securities laws.

You may be unable to sell your Notes if a trading market for the Notes does not develop.

The Notes are new securities for which there is currently no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.

Application has been made to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange. However, the Notes may not become or remain listed on that exchange or any other securities exchange. The Initial Purchasers have advised us that they intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and may discontinue any market making at any time at their sole discretion and without notice. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for similar yielding securities, interest rates and our financial performance or prospects or in the prospects for companies in our industry generally. As a result, an active trading market for the Notes may not develop or be maintained.

The covenants in the Notes and the instruments governing the Group's other debt may limit the Group's ability to operate its business.

The Indenture will contain affirmative and negative covenants. The Indenture will contain other covenants restricting, among other things, the Group's ability to incur additional debt, sell assets, create liens or other encumbrances, make certain payments and dividends and merge or consolidate. Such restrictions could affect the ability of the Group to operate its business and may limit our ability to take advantage of potential business opportunities as they arise.

If the Group does not comply with the covenants and restrictions in the Indenture, the Group could be in default under those agreements, and the debt incurred under those agreements, together with accrued interest, could then be declared immediately due and payable. If the Group defaults under the Notes, the holders of the Notes (subject to restrictions on enforcement rights) could cause all of the outstanding debt obligations thereunder to become due and payable, requiring the Group to apply all of its cash to repay the debt thereunder or prevent it from making debt service payments on its other debt. In addition, any default under the Notes, could lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross default provisions. If the debt under the Notes or other debt instruments is accelerated, we may not have sufficient assets to repay amounts due thereunder. The Group's ability to comply with these provisions of the Indenture, and other agreements governing its other debt, may be affected by changes in the economic or business conditions or other events beyond our control.

You may have difficulty enforcing your rights against the Company and the Guarantors and their directors and executive officers.

The Company and the Guarantors are incorporated in Italy, Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia and Mexico. All of the directors and executive officers of the Company, the Subsidiary Guarantors and the Company are non-residents of the United States. Although the Company and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on its directors and executive officers. In addition, as all of its assets and substantially all of the assets of their directors and executive officers are located outside of the United States you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, our Italian counsel have informed us that it is questionable whether an Italian court would accept jurisdiction and impose civil liability if proceedings were commenced in Italy predicated solely upon U.S. federal securities laws. See "*Service of Process and Enforcement of Civil Liabilities*".

The Company may not be able to repurchase the Notes upon a change of control.

Upon the occurrence of a change of control of the Company, the Company will be required to offer to repurchase all of the Notes in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See "*Description of the Notes—Repurchase at the Option of the Holders—Change of Control*". It may not have sufficient funds at the time of any such event to make the required repurchases.

The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the Notes tendered.

We may be unable to raise the funds necessary to refinance indebtedness maturing prior to the stated maturity of the Notes or to repay the Notes at maturity.

The Notes offered hereby will mature in 2021. In addition, approximately €26.2 million of indebtedness outstanding under the Existing Facilities will not be repaid with the proceeds of the Offering, and substantially all of this indebtedness matures prior to the maturity of the Notes. Further, pursuant to certain arrangements with SIMEST, a minority shareholder in a number of our international subsidiaries, we are required to make annual payments on equity invested by SIMEST in order to benefit from the full rights on such shareholding in such subsidiaries. See "*Capitalization*" and "*Description of Certain Financing Arrangements—SIMEST Arrangements*" for additional information.

As a result, we may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes offered hereby. In addition, if our access to capital markets or our ability to enter new financing arrangements is reduced for any reason, we may not be able to refinance our Existing Facilities on satisfactory terms or at all, which could have a material adverse effect on our business, financial position and results of operations.

You may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments.

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and are currently held through Euroclear Bank SA/NV as operator of the Euroclear and Clearstream. Interests in the global notes will trade in book entry form only, and Notes in definitive registered form, or Definitive Registered Notes, will be issued in exchange for Book Entry Interests only in very limited circumstances. Owners of Book Entry Interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream is the sole registered holder of the global notes representing the Notes and will be entered as such in the register of holders of the Notes maintained by the Registrar and the Company at its registered office. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the Paying Agent, which then will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold Book Entry Interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book Entry Interests. Accordingly, if you own a Book Entry Interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of Book Entry Interests will not have the direct right to act upon the Company's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all Book Entry Interests, if you own a Book Entry Interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*".

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of BBB– or better from Fitch and a rating of Baa3 or better from Moody's and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time that the Notes receive a rating of below BBB– from Fitch or Baa3 from Moody's, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Certain Covenants—Covenant Suspension*". If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

Fitch and Moody's may assign a credit rating to the Notes. The rating may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by Fitch and Moody's may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

You generally will not be entitled to a gross-up for any Italian withholding taxes, unless the Italian withholding tax is caused by a failure of the Company or Guarantors to comply with certain procedures.

The Company is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. The Company is not liable to pay any additional amounts to holders of Notes if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to Decree No. 461, except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Company or the Guarantors. In such circumstances, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes. See "*Description of the Notes—Additional Amounts*".

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a noteholder is resident for tax purposes in a white list country and such noteholder complies with certain certification requirements, there is no assurance that this will be the case. Moreover, noteholders will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the white list countries.

No assurance can be given that the Notes will be listed or that, once listed, the listing will be maintained in order to satisfy the listing requirement of Article 32(8) of Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 of April 1, 1996.

No assurance can be given that the Notes will be listed or that, once listed, the listing will be maintained in order for the Notes to be eligible to benefit from the provisions of Article 32(8) of Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 of April, 1996 relating to deductibility of interest expense and

the exemption from the requirement to apply withholding tax. The Italian tax authorities issued an interpretive circular relating to, *inter alia*, the listing requirement of the aforementioned legislation. In the event that the Notes are not listed or that such listing is not maintained our ability to deduct interest expense related to the Notes could be adversely impacted. In addition, in such circumstances, payments of interest, premium and other income with respect to the Notes would be subject to a substitute tax (*imposta sostitutiva*) currently at a rate of 26% (increased from 20% by Article 3 of Law Decree no. 66 of April 24, 2014, with effect from July 1, 2014), and we would be required to pay additional amounts with respect to such withholding and substitute taxes such that beneficial owners receive a net amount that is not less than the amount that they would have received in the absence of such withholding or substitute tax. We cannot assure you that the Italian tax authorities will not interpret the applicable legislation to require that the listing be effective at closing and we cannot assure you that the listing can be achieved by the Issue Date. However, we intend to achieve the listing of the Notes on the Issue Date and do not, in any event, believe that the applicable legislation requires the listing of the Notes to be effective at closing to benefit from the provisions relating to deductibility of interest expense and exemption from application of withholding tax. The possible limitation on the deductibility of interest expense and the imposition of withholding and substitute taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to noteholders could have a material adverse effect on our financial condition and results of operations.

No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Italian Legislative Decree No. 239 of April 1, 1996 will be met by the relevant foreign intermediaries.

The regime provided by Decree 239 and in particular the exemption from withholding tax in principle granted to holders of the Notes resident in white list countries applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax Authorities under the procedures set for applying the exemption regime. See "*Tax Considerations—Certain Italian Tax Considerations*".

The consolidated financial information included in this Offering Memorandum may be of limited use in assessing the financial position of the Guarantors.

The consolidated financial information included in this Offering Memorandum includes the financial information for our non-Guarantor subsidiaries. As of December 31, 2013, our non-Guarantor subsidiaries had assets of €226.3 million (accounting for 52.2% of our assets (net of intercompany eliminations)) and for the year ended December 31, 2013, our non-Guarantor subsidiaries had EBITDA of €22.0 million (accounting for 46.4% of our consolidated EBITDA). As a result, our non-Guarantor subsidiaries account for over 25% of our assets (net of intercompany eliminations) and EBITDA. Therefore, our consolidated financial information may be of limited use in assessing the financial position of the Guarantors.

USE OF PROCEEDS

Use of Proceeds

We expect the gross proceeds from the Offering of the Notes will be approximately €200.0 million. We expect to pay approximately €5.0 million of fees and expenses, including the Initial Purchasers' commission and the estimated expenses in respect of the Offering, with proceeds from the Offering of the Notes. In addition, €143.7 million of the proceeds from the Offering of the Notes will be used to repay all of the outstanding amounts under certain of our Existing Facilities. We further expect to use €4.0 million of the proceeds from the Offering of the Notes to pay a distribution to our shareholder, €12.0 million to extend a loan to our shareholder and €14.0 million to acquire our headquarters building and to have available €21.3 million for general corporate purposes. See "*Capitalization*" and "*Description of Certain Financing Arrangements*".

Sources and Uses

The following table shows the sources and uses of funds related to the Offering and the use of proceeds therefrom assuming it had been completed on March 31, 2014. Actual amounts will vary from estimated amounts depending on several factors, including estimated costs, fees and expenses.

Sources of Funds	(millions of €)	Uses of Funds	(millions of €)
Notes offered hereby(1)	200.0	Repayment of existing debt under certain of our Existing Facilities(2)	143.7
		Distribution to shareholder	4.0
		Loan to shareholder	12.0
		Purchase of headquarters	14.0
		General corporate purposes	21.3
		Transaction costs(3)	5.0
Total sources	**200.0**	**Total uses**	**200.0**

(1) Reflects the proceeds from the issuance of the Notes assuming that the Notes are issued at par.

(2) A portion of the proceeds of the Offering will be used to partially repay debt outstanding under our Existing Facilities, including those with certain of the Initial Purchasers. As a result, certain of the Initial Purchasers (or their affiliates) will receive proceeds from the issuance of the Notes in their capacity as lenders under such Existing Facilities. See "*Plan of Distribution*".

(3) Represents our estimate of fees and expenses in connection with or otherwise related to the Offering and the application of the proceeds therefrom, including underwriting fees and commissions, other financing fees, debt prepayment premiums, professional and legal fees, financial advisory fees and other transaction costs. Actual fees and expenses may differ.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents, our other current financial assets, and our capitalization as of March 31, 2014 on a historical basis and as adjusted to give effect to the Offering, the use of proceeds therefrom and the conversion of the SECI Receivable. The historical consolidated financial information has been derived from our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2014 prepared in accordance with Italian-GAAP included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*" and the consolidated financial statements and the accompanying notes of the Company appearing elsewhere in this Offering Memorandum.

Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, fluctuations in cash on hand between March 31, 2014 and the Issue Date and fluctuations in applicable exchange rates.

	As of March 31, 2014 (in millions of €)	
	Actual	**As-Adjusted**
Cash and cash equivalents	20.3	41.6[(1)]
Other current financial assets[(2)]	34.3	0.3
Bank loans and other financial liabilities[(3)]	169.9	26.2
Long-term debt due to financial institutions	66.7	16.3
Overdrafts and other short-term debt	89.6	1.0
Other financial liabilities[(4)]	13.6	8.9
Notes offered hereby	—	200.0
Total financial indebtedness	169.9	226.2
Total shareholders' equity	133.9	95.9[(5)]
Total capitalization[(6)]	303.8	322.1

(1) Increase in cash and cash equivalents reflects €21.3 million of cash from the Offering to be available for general corporate purposes.

(2) Current financial assets includes the SECI Receivable and other minor financial assets. The SECI Receivable was converted into a shareholder distribution subsequent to March 31, 2014 but prior to the Issuance of the Notes.

(3) Represents the non-current and current portion of banks loans and other financial liabilities.

(4) Refers to, *inter alia*, financial leases of €4.6 million and loans from other lenders of €9.0 million. Such amounts do not include recourse factoring under our Ifitalia Factoring Facility of €6.1 million outstanding as of March 31, 2014. The Ifitalia Factoring Facility provides for a committed amount of factoring of receivables up to €30.0 million outstanding at any time until May 31, 2017. See "*Description of Certain Financing Arrangements—Ifitalia Factoring Facility*".

(5) Reduction in total shareholders' equity reflects the conversion of the SECI Receivable and the distribution to our shareholder.

(6) Total capitalization is the sum of total indebtedness and shareholders' equity.

SELECTED HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following tables present the consolidated financial information and other data as of and for each of the years ended December 31, 2011, 2012 and 2013, as of and for the three months ended March 31, 2013 and 2014 and the twelve-month period ended March 31, 2014. The financial information and other data for the years ended December 31, 2011, 2012 and 2013 is derived from the consolidated financial statements of the Company and related notes included elsewhere in this Offering Memorandum which have been audited by Reconta Ernst & Young S.p.A. The financial information and other data as of and for the three months ended March 31, 2013 and 2014 presented below is derived or calculated from the unaudited interim condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2014 included elsewhere in this Offering Memorandum and/or other sources of data. The unaudited condensed consolidated interim financial statements have been prepared on a basis consistent with the Company's annual audited condensed consolidated financial statements. For further information please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". Historical results are not necessarily indicative of future performance or results of operations, and the financial information and other data for the three months or twelve months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the full year or any future period and should not be used as a basis for or prediction of an annualized calculation.

Consolidated financial statements prepared in accordance with Italian-GAAP differ in certain significant respects from IFRS. These differences could be material to the information contained herein. See "*Annex A—Summary of certain differences between Italian-GAAP as compared to IFRS*".

The following tables should be read in conjunction with the information contained in "*Presentation of Financial Information*", "*Use of Proceeds*", "*Capitalization*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and related notes included in this Offering Memorandum.

Summary Consolidated Income Statement:

	For the year ended December 31, (audited)			For the three months ended March 31, (unaudited)		For the twelve months ended March 31, (unaudited)
	2011	2012	2013	2013	2014	2014
	(in thousands of €)					
Total revenue	463,292	486,724	485,888	95,273	98,682	489,297
Costs of materials and consumables	(254,709)	(263,352)	(265,158)	(51,247)	(52,769)	(266,680)
Costs of services and use of third party assets	(98,516)	(97,013)	(96,269)	(22,796)	(21,116)	(94,589)
Costs of personnel	(70,445)	(73,358)	(74,249)	(18,565)	(17,874)	(73,558)
Other operating costs	(700)	(1,587)	(2,924)	(719)	(530)	(2,735)
Amortization, depreciation and write-downs	(16,197)	(18,900)	(19,399)	(4,797)	(4,451)	(19,053)
Accrual to provision for risks and charges	(1,141)	(991)	(1,671)	(153)	(197)	(1,715)
Operating income/(losses)	21,584	31,523	26,218	(3,004)	1,745	30,967
Net expenses and losses from financial activities	(8,132)	(11,383)	(14,702)	(2,463)	(2,876)	(15,115)
Financial income	417	555	1,105	229	610	1,486
Financial expenses	(8,113)	(11,551)	(12,094)	(3,027)	(3,208)	(12,275)
Gain/(losses) on exchange rate	(436)	(387)	(3,713)	335	(278)	(4,326)
Net non-recurring expenses and charges	(1,287)	(4,497)	(2,854)	(1,639)	(287)	(1,502)
Income/(losses) before taxes	12,165	15,643	8,662	(7,106)	(1,418)	14,350
(Income taxes)/tax benefit	(4,767)	(5,160)	(3,555)	314	(234)	(4,103)
Net income/(losses)	7,398	10,483	5,107	(6,792)	(1,652)	10,247

Summary Consolidated Cash Flows Statement:

	For the year ended December 31, (audited)			For the three months ended March 31, (unaudited)	
	2011	2012	2013	2013	2014
	(in thousands of €)				
Net cash flow from/(used in) operating activities	11,656	19,115	19,997	(31,428)	(21,797)
Net cash flow used in investing activities	(21,225)	(20,548)	(19,609)	(7,982)	(2,525)
Net cash flow from/(used in) financial activities	13,402	(9,656)	6,741	33,625	21,924
Net effect of foreign currencies exchange rate variation and other changes	(2,629)	(760)	(3,768)	1,074	(112)
Changes in cash and cash equivalents	**1,204**	**(11,849)**	**3,361**	**(4,711)**	**(2,510)**

Summary Consolidated Balance Sheet Data:

	As of December 31, (audited)			As of March 31, (unaudited)
	2011	2012	2013	2014
	(in thousands of €)			
Non-current assets	156,884	155,665	152,601	154,008
Current assets	254,115	245,580	264,336	273,445
of which, cash and cash equivalents	31,311	19,462	22,823	20,313
Total assets	410,999	401,245	416,937	427,453
Total liabilities	286,234	271,208	281,832	293,599
Shareholders' equity	124,765	130,037	135,105	133,853

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of the Group's results of operations and financial condition based on (i) the audited consolidated financial statements of the Company as of and for the years ended December 31, 2011, 2012 and 2013 (the "**Audited Consolidated Financial Statements**"), (ii) the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2014 and 2013 (the "**Unaudited Interim Condensed Consolidated Financial Statements**") and (iii) other sources of Company data. The Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with Italian GAAP. We have, however, reclassified the Italian GAAP line items in a manner that makes them more easily comparable to the financial information of other business who do not use Italian GAAP. Italian GAAP differs in certain respects from IFRS. For a discussion of the differences between Italian GAAP and IFRS see "Annex A—Summary of certain differences between Italian GAAP as compared to IFRS".*

You should read this section together with Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements described above, including the notes thereto, as well as the other financial information included in this Offering Memorandum. See "Presentation of Financial Information" for an explanation of the financial information contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations." A summary of the Group's critical accounting policies that have been applied to these financial statements is set out below under the caption "—Critical Accounting Policies."

The following discussion contains forward-looking statements based on assumptions about our future performance. Those statements are subject to risks, uncertainties and other factors that could cause our future results of operations or cash flows to differ materially from those expressed or implied in such forward-looking statements. Factors that could cause or contribute to such difference include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under "Risk Factors" and "Forward-Looking Statements".

Some of the measures used in this Offering Memorandum are not measurements of financial performance under Italian-GAAP, IFRS or any other generally accepted accounting principles and should not be considered an alternative to cash flow from operating activities, as a measure of liquidity or an alternative to operating income/(loss) or income/(loss) for the period, as indicators of the Company's operating performance or any other measures of performance derived in accordance with Italian-GAAP, IFRS or any other generally accepted accounting principles.

Overview

We are a global leader in the design, manufacture and provision of engineered products and solutions that are used in a broad array of end markets, including environmental protection, civil and urban infrastructure, hydraulic and coastal works and certain other industrial applications, such as, mining, oil and gas, agriculture and aquaculture among others. Within these markets our products are used for critical applications including: retaining walls, reinforced soils, road stabilization and support, tunneling, erosion and coastal protection, river training works, hydraulic structures, natural hazard mitigation, drainage and landfills, among others. Our leadership position in key solutions is underpinned by engineering expertise acquired over 135 years of industry experience.

We operate an integrated business model (design, manufacture, supply and after-sale support) through a network of over 60 companies and 31 production facilities strategically located in key markets, and a presence in more than 100 countries across five continents. In order to support the sale of our individual products, and strengthen our market position, a key part of our business model is to offer integrated solutions to the engineering issues faced by our clients, incorporating multiple products and solutions and providing advice and support in design, installation and maintenance.

We broadly classify our versatile products into four categories:

- *Double twist mesh:* our "*Gabions*", "*Reno Mattresses*" and other products are steel-wire mesh baskets filled with rock, sand or other materials to form flexible, durable and permeable building blocks from which a broad range of structures can be built to prevent soil erosion, support unstable ground and strengthen soils within excavation and land-design works in mining, construction and other civil engineering projects;

- *Geosynthetics:* our geogrids, mats, drainage geocomposites, geomembranes and textiles are made from synthetic fibers and other components (such as steel) for construction engineering uses from soil reinforcement and erosion protection to landfill membranes and drainage;
- *Rockfall protection and snow net structures:* our light-weight and flexible structures are designed to protect assets and infrastructure from hydro-geotechnical hazards such as debris flows, rockfalls and avalanches; and
- *Other products and services:* we offer a range of products and services to address our clients' specific project needs, including *tunneling & flooring*, *vertical concrete retaining walls*, *engineering support services* and *wire manufacturing*.

We believe we are the undisputed leader in the double twist mesh market, with approximately 50% market share worldwide. In addition, we believe we are among the top five players in the geotechnical segment of the non-commodity geosynthetics market (with approximately 20% market share) and the second largest player in the rockfall protection and snow net structures (i.e., natural hazard mitigation) market (with approximately 30% market share).

Our expertise in each of our product areas allows us to offer clients integrated, engineered solutions, combining a range of products and technical expertise and know-how to address each client's specific requirements. Our vertically integrated business model covers the full value chain, allowing us to offer bespoke solutions to our clients through our involvement in each step of the process: (i) we design and engineer the ideal solution for the end user foreseeing the utilization of our products; (ii) we manufacture our products in our own facilities around the world; (iii) we deliver our products to our clients' project sites (with transportation costs typically passed through to clients); and (iv) we can supervise installation and provide expert technical assistance through our local teams on the ground when our clients require it. Our comprehensive product offering and global infrastructure, along with our extensive relationships with customers and end-users, provide us with access to attractive markets worldwide, visibility into upcoming projects and the flexibility to serve customers regardless of geographic location. Furthermore, our extensive geographical footprint allows us to respond quickly and efficiently to new orders, which serves as a key competitive advantage relative to our peers.

We are active both in mature markets, like Western Europe and the United States, and emerging markets like Latin America, Russia, the Middle East, Africa, China and countries throughout Southeast Asia. In addition to our geographic diversification, we have a broad client base diversified across products and geographies with limited client concentration. For the year ended December 31, 2013, and based on revenue generated, our top 20 clients accounted for only 14% of our revenue from sales and services (compared to 14% and 11% for the years ended December 31, 2012 and 2011, respectively), our top 100 clients accounted for only 30% of our revenue from sales and services (compared to 29% and 27% for the years ended December 31, 2012 and 2011, respectively) and no single client generated more than 3% of our revenue from sales and services (compared to 2% and 1% for the years ended December 31, 2012 mad 2011, respectively). Our typical clients are general contractor companies (engineering, procurement and contractor companies or "**EPCs**"), and the end-users of our products are typically public sector bodies. Our client list includes large-scale EPCs such as Astaldi in Italy, ETA Star in the United Arab Emirates, Odebrecht in Brazil, Penta-Ocean in Japan and Bechtel in the U.S. Public sector end-users represented the vast majority of our revenue for the year ended December 31, 2013. End-users for our products also include private-sector entities—including developers, utilities companies, mining companies and oil and gas companies.

Presentation of Financial Information

We prepare our consolidated financial statements in accordance with Italian GAAP. We may adopt IFRS for our consolidated financial statements in future years. Because there are significant differences between Italian GAAP and IFRS, if we were to prepare our financial statements on the basis of IFRS instead of Italian GAAP, there could be substantial differences in our results of operations, cash flows and financial position, including levels of indebtedness. In addition, our covenants may become more or less restrictive from time to time, depending upon the effect of the standards we adopt. See "*Annex A: Summary of certain differences between Italian GAAP as compared to IFRS*", and "*Risk Factors—Risks Related to Our Business—We have not included IFRS financial information in this offering memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian GAAP and IFRS*".

Geographic Reporting Segments

We report our revenue in the following geographical segments: (i) Asia Pacific, which includes all countries in Asia, as well as Australia and Japan, (ii) EMEA (excluding Italy), which includes all countries in Europe, Russia, the Middle East and Africa, (iii) Italy, (iv) NAFTA, which includes Canada, Mexico and the United States and (v) Latin America, which includes all countries in South America and Central America.

Key Factors Affecting Our Results of Operations

Below is an overview of the key factors which have affected, and may in the future continue to affect, our results of operations.

GDP growth, infrastructure spending, urbanization trends and environmental spending

In both the emerging and mature markets in which we operate, our products and solutions are used in environmental engineering, construction markets, infrastructure development and industrial applications. Although we sell our products and solutions in almost all the countries in which we operate, the key drivers of our business vary between emerging and mature markets. In emerging markets, the key drivers tend to be GDP growth, infrastructure spending, and urbanization trends, while in mature markets the key drivers are generally environmental spending, climate change mitigation and emergencies. We believe our steady growth has been partially due to our broad presence around the world where we can take advantage of markets with varying drivers and opportunities, even during periods of economic recession in certain markets (including our historical market of Italy).

In emerging markets, GDP growth, infrastructure spending and urbanization trends are the most important drivers. Over the last decade, global GDP has grown at a compound annual growth rate of 2.8% (Real GDP growth from 2004 to 2013). According to Global Insight, however, the majority of that growth has been fueled by emerging markets which have grown at a compound annual growth rate of 6.0% as opposed to 1.3% for mature economies. As GDP increases, emerging economies have urbanized and invested in infrastructure, creating important markets for our products in these countries. These trends have been reflected in our results since 2011, when markets outside of the European Union accounted for 54.1% of our revenue from sales and services compared to 56.1% in 2013. This growth outside of the European Union was driven primarily by emerging economies such as Brazil (and other Latin American countries, particularly Peru and Bolivia), Russia and Malaysia.

While the same trends also drive mature markets (particularly with respect to infrastructure spending and GDP growth, when material), we believe that environmental spending (and environmental legislation and regulatory initiatives), climate change mitigation and emergencies are the key drivers in mature markets. Our products can be used to address many of these issues through retaining structures, erosion protection, slope stabilization and other applications. For example, the “MOSE” project in Venice incorporated a novel Ballasted Filter Mattress, developed and deployed to limit scour around the flood gates used to protect Venice from rising seas, while our ultra-high strength geogrids were used to stabilize the ground supporting a working area for offshore wind turbine assembly in Belfast. In addition to these long-term projects, reduced infrastructure investment by governments in mature markets can lead to event-driven investment when infrastructure fails and/or climate events overpower insufficient or obsolete infrastructure. Following Hurricane Sandy on the East Coast of the United States in October 2012, for example, our Terramesh® was used to help the Metro Transit Authority in New York City construct and reinforce a retaining wall in the Bronx with minimal disruption to daily transportation. We were also able to react quickly to flooding in the United Kingdom in 2013 and the first quarter of 2014.

In both mature and emerging markets, our products are often used for projects that preserve public safety and, therefore, are often less discretional in nature compared to other civil or residential infrastructure projects. We believe this supports the resiliency of our financial performance during local market downturns or global crises. In addition, we believe that demand for our products will continue to be driven by GDP growth, infrastructure spending, urbanization trends, environmental spending as well as by event-driven contracts related to prompt intervention for weather hazard mitigation.

Raw materials, product pricing and competition

Pricing for our products is driven to a large extent by the costs of materials and consumables. Approximately €265.2 million of our operating costs in 2013, or 54.6% of 2013 total revenue, were for cost of materials and consumables, as compared to €263.4 million in 2012 and €254.7 million in 2011, or 54.1% and 55.0% of total revenues in those years, respectively.

The principal raw materials we use in manufacturing our products are steel wire, steel wire rod, ingots for zinc coating, aluminum, polymeric compounds, yarns and monofilaments and plastic. We typically manage to fully pass increases in raw materials prices through to our customers; however, volatility in the prices of our core raw materials can affect our operating income and margins. For example, between January and February 2011, we experienced significant increases in the price of steel and, due to the sudden nature of these increase, we were not able to fully pass the cost increases through to our customers, which had a negative impact on our EBITDA of approximately 1%.

In general, however, our pricing policies can be flexible. We do not enter into long-term purchase orders for the delivery of raw materials. Our orders with suppliers do not contain minimum purchase volumes or fixed prices. Accordingly, our suppliers may change their prices and other purchase terms on a monthly basis. However, because most of our customers place short-term purchase orders, this allows us to typically pass on increased materials costs by simply raising our prices. In addition, even in the few cases in which we have long-term contracts, we often tie the cost of our goods to relevant pricing indices and the contracts permit us to pass on the cost of higher raw materials (our pricing flexibility is also helped by the fact that the price of our products, while a critical component of our customers' projects, typically only accounts for a relatively small portion of their total production costs). Moreover, competition in our markets is often geographically limited as transportation cost constitutes a significant part of overall product cost. Competitive market conditions in our industry and contractual arrangements with certain of our customers may however sometimes limit our ability to pass the full cost of higher raw material pricing through to our customers promptly or completely. For example, in the Chinese and Indian domestic markets where labor costs are low, price competition can be significant, but the importance of transportation costs on the overall product cost act as a barrier to Chinese or Indian competition in, for example, our Latin American or European markets. In addition, we do not typically compete on price, but rather we seek to position ourselves as technological leaders and providers of integrated solutions and not commoditized products.

While we believe that historically a combination of brand recognition among customers, customer-specific integrated solutions and product quality has allowed us to achieve premium pricing, decreases in demand and/or increased competition by regional and other competitors may result in pricing pressure in some of our markets or with respect to certain products. When this occurs, we seek to distinguish our offering to customers by our combination of superior products, technical know-how and after-sales support. For example, despite increased price competition in India and China, we believe we have successfully expanded our presence by offering our products together with a technical service component that has allowed us to maintain margins in those areas. In addition, we have successfully implemented price increases in certain markets where our competitive position is stronger, including Latin America.

Fluctuations in currency exchange rates

We have significant non-euro denominated assets, liabilities, revenue and costs. For the year ended December 31, 2013, we derived 19.4%, 5.1%, 5.0% and 3.7% of our revenue from sales and services in Brazil, Russia, Bolivia and India, respectively. For the year ended December 31, 2012, we derived 24.0%, 5.9%, 3.9% and 3.8% of our revenue from sales and services in Brazil, Russia, Peru and India, respectively, compared to 24.0%, 4.3%, 3.1% and 3.9% in 2011, respectively. The domestic currencies in these countries have experienced volatility against the Euro in recent years and the significance to our total revenue of individual currencies tends to change from year to year.

To prepare our consolidated financial statements, we translate our assets and liabilities into euro at the exchange rate at the end of the period, and we translate our revenue and costs into euro at the average exchange rate for the applicable period (the so-called "translation risk"). Consequently, increases and decreases in the value of the euro against these other currencies affect the amounts attributed to these items in our consolidated financial statements, even if their value in their original currency has not changed. These translations result in changes to our results of operations from period to period. For example, in 2013, translation of our foreign revenues, particularly related to our activities in Russia and Latin America, resulted in a €24.3 million reduction in our total revenue. Given our increasing focus on non-European markets, we expect translation risk to increase over time.

In addition, "transactional risk" arises when the Issuer or one of our subsidiaries executes transactions in a currency other than their respective functional currencies. However, on a consolidated basis the Group's transactional foreign exchange risk is low (and is therefore not hedged), primarily as a result of the natural hedge of our foreign currency income and expenses due to local manufacturing.

For purposes of hedging our exposure to foreign currencies, we have engaged in derivative transactions; specifically, we have entered into foreign exchange forward contracts to mitigate the foreign exchange risk on US Dollars, New Zealand Dollars and British Pounds. Additionally, in some countries such as India, Russia, Mexico, Brazil, Turkey and Indonesia, the costs of mitigating the exchange risk are too high and our local subsidiaries are, therefore, forced to run the risk of adverse changes in the exchange rate. Further, some currencies are not be convertible or exchangeable, or are subject to exchange controls, for example in Argentina (where exchange controls are particularly onerous) and India (where restrictions on inter-group loans require local investment in the form of equity and make exportation of profits difficult). See also "*—Liquidity and Capital Resources—Hedging arrangements*".

Development of geographic mix of revenue from sales and services

Our financial results are also affected by our mix of total revenue from sales and services generated across geographic areas. We operate production facilities and have local sales offices in more than 50 countries. In 2011, 2012 and 2013, 83.0%, 88.3% and 88.6%, respectively, of our revenue from sales and services was generated outside of Italy. The following table sets forth our revenue from sales and services by geographic area for the years ended December 31, 2011, 2012 and 2013:

	For the year ended December 31, (audited)					
	2011	**% of Total Revenue**	**2012**	**% of Total Revenue**	**2013**	**% of Total Revenue**
	(in thousands of €)					
Latin America	143,044	30.9%	163,670	33.6%	165,916	34.1%
EMEA (ex Italy)	126,624	27.3%	149,798	30.8%	153,855	31.7%
Asia Pacific	57,073	12.3%	69,112	14.2%	68,267	14.0%
Italy	74,905	16.2%	56,145	11.5%	54,219	11.2%
NAFTA	37,859	8.2%	41,521	8.5%	32,152	6.6%
Revenue from sales and services	**439,505**	**94.9%**	**480,246**	**98.7%**	**474,409**	**97.6%**
Other revenue	23,787	5.1%	6,478	1.3%	11,479	2.4%
Total revenue	**463,292**	**100%**	**486,724**	**100%**	**485,888**	**100%**

Our efforts to expand our presence in emerging markets, such as Asia Pacific and Latin America, while maintaining our presence in more established markets such as EMEA and NAFTA, have had a positive impact on our revenue from sales and services for the years ended December 31, 2011, 2012 and 2013. Our results are particularly noteworthy in key emerging markets, like Brazil and China, which accounted for 19.4% and 2.8%, respectively, of our revenue from sales and services for the year ended December 31, 2013, compared to 24.0% and 3.5%, respectively, in 2012 and 24.0% and 3.2%, respectively, in 2011. Moreover, Latin America has consistently accounted for approximately a third of our revenue from sales and services, equal to 35.0% in 2013, compared to 34.1% in 2012 and 32.5% in 2011. We believe our revenue has been (and will be) driven in these emerging markets by both our established presence and increased past and future expansion, as well as by the favorable macroeconomic trends discussed above (including new infrastructure development, urbanization and GDP growth).

The location of production capacity around the world is also key to our margins and to where our revenue is generated. For example, prior to 2011 our products sold in Russia, Slovakia and Turkey and also through import and export companies were primarily manufactured in Italy and transported to these markets. By opening new factories in Turkey and Russia in 2011 and 2012 and by expanding our capacity in Slovakia, we reduced our revenue from sales and services in Italy (which fell from €74.9 million in 2011 to €54.2 million in 2013), but increased our revenue from sales and services in EMEA (excluding Italy) (which increased from €126.6 million in 2011 to €153.9 million in 2013). In addition to diversifying our revenue stream and production capacity, moving our production capacity closer to our customers in these markets allows us to increase margins in a number of ways, including by reducing transportation costs (which are always a significant part of product cots) and by manufacturing our products in markets with lower labor costs.

Significant expansion capital expenditures in recent years

We have completed significant capital expenditures over the last three years. Our net capital expenditures were equal to €20.5 million, €18.5 million and €17.7 million, respectively, for the years ended December 31,

2011, 2012 and 2013. Our net capital expenditures over the three year period have been particularly focused on optimally positioning our Group to pursue attractive present and future growth opportunities in Asia Pacific, Latin America, Africa, the Middle East and Eastern Europe. As a consequence, the significant capital expenditures were mainly aimed at increasing our production capacity in both the double twist and geosynthetics sectors, as well as in expanding our reach to a global level. At present, we can leverage on our well-invested asset base, including a proprietary real estate portfolio across our geographies and state of the art manufacturing equipment. Investments completed over the three-year period included a new factory in China, renovation of our Bolivian production plant, significant investments in equipment and machinery (including new production lines) in Brazil and new production machinery for double-twist products in Bolivia, the Philippines and Turkey. Through these recent facility investments, we have considerably increased our production capacity, which we believe will support our business plan as well as local peaks related to event-driven orders. In addition, our production lines have been refurbished to support the future industry cycle and related future growth. Since the completion of this expansion investment cycle, we believe that our well-invested manufacturing base will require limited maintenance expenditures. Now that regional production capacity and market opportunities are aligned to address mature and emerging markets, our primary focus will be expanding sales and engineering coverage in certain regions, while expanding market share and continuing to grow relationships with existing and new customers. See "—*Capital expenditures*" below for more information.

Explanation of Key Income Statement Items

Total revenue

Total revenue include revenue from sales and services and other revenue.

Revenue from sales and services

Revenue from sales and services consist of revenue from the sale of our products including double twist mesh, geosynthetics, rockfall protection and snow net structures and other products, as well as revenue from services we provide including engineering support and tunneling.

Other revenue

Other revenue mainly relate to revenue arising from repayment of transportation costs, income from building rental, gains on disposal of assets, ordinary release of provision for risks and charges and changes in inventory of finished, semi-finished products and work in progress.

Cost of materials and consumables

Cost of materials and consumables mainly relates to costs for raw materials and marketing, secondary materials and consumables and changes in inventories of raw materials, consumables and goods.

Cost of services and use of third-party assets

Cost of services and use of third-party assets mainly relates to cost for transportation and travel expenses, technical, legal and consulting expenses, advertising expenses, utilities, banking and insurance expenses, external manufacturing and maintenance costs, IT consulting and certain other services, together with various plant, equipment and other rental costs.

Cost of personnel

Cost of personnel primarily includes the expenses related to salaries, wages, social security, employee termination benefits and pension costs from our workforce.

Other operating costs

Other operating costs include losses on trade receivables, losses on disposals of assets, accrual to fiscal contingencies and certain other operating costs from recurring operations.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs relate to depreciation of property, plant and equipment and amortization of intangible assets and write-downs of receivables.

Accrual to provision for risks and charges

Accrual to provision for risks and charges mainly relates to provisions related to certain contingent obligations, primarily pending litigation.

Income/(losses) from financial activities

Financial income includes interest income from banks and from other financial assets, dividends from investments, gain from exchange rate transactions including income deriving from hedging instruments and other financial income. Financial expenses include interest expense on bank borrowings and financial debts, commissions on guarantees, losses from exchange rate transactions including losses deriving from hedging instruments and other financial expenses.

Net non-recurring expenses and charges

Net non-recurring income and expenses relate to transactions for which the source of income or expense is related to the non-core activities of the Company. It primarily includes gains and losses and extraordinary income and expenses deriving from transactions not related to the core-business of the Company, income and expenses related to previous periods and the economic effects of variations in accounting principles.

Income taxes

Income taxes comprise current income taxes, changes in deferred tax assets and changes in deferred tax liabilities.

Results of Operations

The following table sets forth the audited annual consolidated results of operations of the Company for the years ended December 31, 2011, 2012 and 2013 and the unaudited consolidated results of operations of the Company for the three month periods ended March 31, 2013 and 2014.

Consolidated Income Statement

	For the year ended December 31, (audited)						For the three months ended March 31, (unaudited)			
	2011	% of Total Revenue	2012	% of Total Revenue	2013	% of Total Revenue	2013	% of Total Revenue	2014	% of Total Revenue
	(in thousands of €)									
Revenue from sales and services	439,505	94.9%	480,246	98.7%	474,409	97.6%	90,642	95.1%	91,324	92.5%
Other revenue	23,787	5.1%	6,478	1.3%	11,479	2.4%	4,631	4.9%	7,358	7.5%
Total revenue	**463,292**	**100%**	**486,724**	**100%**	**485,888**	**100%**	**95,273**	**100%**	**98,682**	**100%**
Costs of materials and consumables	(254,709)	-55.0%	(263,352)	-54.1%	(265,158)	-54.6%	(51,247)	-53.8%	(52,769)	-53.5%
Costs of services and use of third party assets	(98,516)	-21.3%	(97,013)	-19.9%	(96,269)	-19.8%	(22,796)	-23.9%	(21,116)	-21.4%
Costs of personnel	(70,445)	-15.2%	(73,358)	-15.1%	(74,249)	-15.3%	(18,565)	-19.5%	(17,874)	-18.1%
Other operating costs	(700)	-0.2%	(1,587)	-0.3%	(2,924)	-0.6%	(719)	-0.8%	(530)	-0.5%
Amortization, deprecation and write-downs	(16,197)	-3.5%	(18,900)	-3.9%	(19,399)	-4.0%	(4,797)	-5.0%	(4,451)	-4.5%
Accrual to provision for risks and charges	(1,141)	-0.2%	(991)	-0.2%	(1,671)	-0.3%	(153)	-0.2%	(197)	-0.2%
Total operating costs	**(441,708)**	**-95.3%**	**(455,201)**	**-93.5%**	**(459,670)**	**-94.6%**	**(98,277)**	**-103.2%**	**(96,937)**	**-98.2%**
Operating income/(loss)	**21,584**	**4.7%**	**31,523**	**6.5%**	**26,218**	**5.4%**	**(3,004)**	**-3.2%**	**1,745**	**1.8%**
Net expenses and losses from financial activities	**(8,132)**	-1.8%	**(11,383)**	-2.3%	**(14,702)**	-3.0%	**(2,463)**	-2.6%	**(2,876)**	-2.9%
Financial income	417	0.1%	555	0.1%	1,105	0.2%	229	0.2%	610	0.6%
Financial expenses	(8,113)	-1.8%	(11,551)	-2.4%	(12,094)	-2.5%	(3,027)	-3.2%	(3,208)	-3.3%
Gain/(Losses) on exchange rate	(436)	-0.1%	(387)	-0.1%	(3,713)	-0.8%	335	0.4%	(278)	-0.3%
Net non-recurring expenses and charges	**(1,287)**	**-0.3%**	**(4,497)**	**-0.9%**	**(2,854)**	**-0.6%**	**(1,639)**	**-1.7%**	**(287)**	**-0.3%**
Income/(losses) before taxes	**12,165**	**2.6%**	**15,643**	**3.2%**	**8,662**	**1.8%**	**(7,106)**	**-7.5%**	**(1,418)**	**-1.4%**
(Income taxes)/tax benefit	(4,767)	-1.0%	(5,160)	-1.1%	(3,555)	-0.7%	314	0.3%	(234)	-0.2%
Net income/(losses)	**7,398**	**1.6%**	**10,483**	**2.2%**	**5,107**	**1.1%**	**(6,792)**	**-7.1%**	**(1,652)**	**-1.7%**

Three month period ended March 31, 2014 compared to three month period ended March 31, 2013

Revenue from sales and services

Revenue from sales and services for the three month period ended March 31, 2014, increased 0.8% to €91.3 million from €90.6 million for the comparable period of 2013.

The following table shows our revenue from sales and services by geographic area for the three month periods ended March 31, 2013 and 2014.

	For the Three-Month Period Ended March 31,				Change	
	2013		2014		Amount	%
	(€ in thousands, except percentages) (Unaudited)					
Latin America	31,409	34.7%	31,164	34.1%	(245)	-0.8%
EMEA (ex Italy)	28,701	31.7%	26,826	29.4%	(1,875)	-6,5%
Asia Pacific	16,043	17.7%	15,751	17.2%	(292)	-1,8%
Italy	8,293	9.1%	11,760	12.9%	3,467	41.8%
NAFTA	6,196	6.8%	5,823	6.4%	(373)	-6.0%
Total revenue from sales and services	**90,642**	**100%**	**91,324**	**100%**	**682**	**0.8%**

The increase of €0.7 million in revenue from sales and services was primarily attributable to the combination of the following:

- activity in Italy has been in recession for the last several years, although increases in activity have been observed in the first quarter of 2014, which improved results;
- in Asia Pacific, certain projects in India and China were delayed by public authorities, which negatively affected our results in the first quarter of 2014;
- following the Presidential election in Mexico in 2012, many public projects throughout Mexico were put on hold towards the end of 2012, which affected results starting in the first quarter of 2013 and throughout that year; these projects began to start again at the end of 2013 and the first quarter of 2014, but as a result of these effects, the level of activity overall in NAFTA in the first quarter of 2013 remains below 2012 and the first quarter of 2013; and
- in Latin America, margins increased in 2014 as we focused more on finished goods (such as Gabions) and sold relatively less steel wire and other unfinished products.

Other revenues

Other revenue for the three month period ended March 31, 2014, increased 58.9% to €7.4 million from €4.6 million for the comparable period of 2013. The increase of €2.7 million was primarily a result of additional gains on disposal of assets in the first quarter of 2014, the release of certain provisions and certain other income in 2014 not related to our core business.

Cost of materials and consumables

Cost of materials and consumables for the three month period ended March 31, 2014, increased 3.0% to €52.8 million from €51.2 million for the comparable period of 2013. The increase of €1.5 million was primarily due to the increased activities of the Group as shown by the 3.6% increase in total revenue.

Costs of services and use of third party assets

The following table shows the breakdown by nature of our costs for services and use of third party assets for the three month period ended March 31, 2013 and 2014.

	For the Three-Month Period Ended March 31,		Change	
	2013	2014	Amount	%
	(€ in thousands, except percentages) (Unaudited)			
Transport expenses	3,761	3,559	(202)	-5.4%
Technical, legal, fiscal and consulting expenses	1,763	1,544	(219)	-12.4%
Remuneration of directors, Board of auditors	314	324	10	3.2%
Advertising expenses	706	571	(135)	-19.1%
Commissions	1,872	1,679	(193)	-10.3%
Utilities expenses	2,139	2,012	(127)	-5.9%
Travel expenses	1,692	1,437	(255)	-15.1%
Banking service expenses	170	154	(16)	-9.4%
Insurance expenses	299	212	(87)	-29.1%
External manufacturing	1,709	1,660	(49)	-2.9%
External maintenance	190	431	241	126.8%
IT consulting	413	335	(78)	-18.9%
Information on client and debt collection	425	325	(100)	-23.5%
Other services	5,876	5,508	(368)	-6.3%
Total cost of services	**21,329**	**19,751**	**1,578**	**-7.4%**
Plant and equipment rents	648	612	(36)	-5.6%
Selling and marketing rents	459	415	(44)	-9.6%
Technical rents	86	70	(16)	-18.6%
General and administrative rents	274	268	(6)	-2.2%
Total cost for use of third party assets	**1,467**	**1,365**	**(102)**	**-7.0%**
Costs of services and use of third party assets	**22,796**	**21,116**	**(1,680)**	**-7.4%**

Notwithstanding the total increase of revenue over the periods, the costs of services and use of third party assets for the three month period ended March 31, 2014, decreased 7.4% to €21.1 million from €22.8 million for the comparable period of 2013. Such decrease of €1.7 million was primarily due to various reductions in costs over the periods as a results of a concerted effort on the part of the Group to reduce costs overall, including primarily a 12.4% decrease in technical, legal, fiscal and consulting expenses, a 15.1% decrease in travel expenses, a 5.4% decrease in transport expenses and a 10.3% reduction in commissions.

Cost of personnel

Cost of personnel for the three month period ended March 31, 2014, decreased 3.7% to €17.9 million from €18.6 million for the comparable period of 2013. Such decrease was mainly due to the completion of restructuring processes that resulted in replacing plants located in high-labor-cost countries in Europe with plants located in low-laborer and labor-cost countries. This restructuring decreased the overall cost despite an increase in employee headcount from 2,838 employees as of March 31, 2013 to 3,003 employees as of March 31, 2014. Additionally, as of March 31, 2014, the headcount included furloughed workers in Italy, which reduced the personnel costs.

Other operating costs

Other operating costs for the three month period ended March 31, 2014, decreased 26.3% to €0.5 million from €0.7 million for the comparable period of 2013. The decrease of €0.2 million was primarily attributable to the reduced accrual to tax contingencies partially compensated by an increase in the losses from disposal of assets.

Amortization, depreciation and write-downs

The following table shows our amortization, depreciation and write-downs for the three month periods ended March 31, 2013 and 2014.

	For the Three-Month Period Ended March 31,		Change	
	2013	2014	Amount	%
	(€ in thousands, except percentages) (Unaudited)			
Amortization of intangible assets	516	607	91	17.6%
Depreciation of property, plant and equipment	2,803	2,549	(254)	-9.1%
Other write-downs of property, plant, equipment and intangible assets	—	82	82	
Accrual to allowances for doubtful accounts	1,478	1,213	(265)	-17.9%
Total amortization, depreciation and write-downs	**4,797**	**4,451**	**(346)**	**-7.2%**

Amortization, depreciation and accrual to allowances for doubtful accounts for the three month period ended March 31, 2014, decreased 7.2% to €4.5 million from €4.8 million for the comparable period of 2013. The decrease of €0.3 million was primarily attributable to the lower accrual to doubtful accounts in the first quarter of 2014 due to the slightly improved economic outlook in Southern Europe in 2014 and the prior accrual to doubtful accounts already undertaken in past quarters. According to the policies applied by many of our foreign subsidiaries, we record the impairment of trade receivables overdue from more than 120 days (in addition to impairments accrued following a specific analysis of difficult customers).

Net expenses and losses from financial activities

The following table shows the breakdown of our net expenses and losses from financial activities for the three month periods ended March 31, 2013 and 2014.

	For the Three-Month Period Ended March 31,		Change	
	2013	2014	Amount	%
	(€ in thousands, except percentages) (Unaudited)			
Financial income	229	610	381	166.4%
Financial expenses	(3,027)	(3,208)	(181)	6.0%
Gains/(losses) on exchange rates	335	(278)	(613)	-183.3%
Net expenses and losses from financial activities	**(2,463)**	**(2,876)**	**(413)**	**16.8%**

Net expenses and losses from financial activities for the three month period ended March 31, 2014, increased 16.8% to €2.9 million from €2.5 million for the comparable period of 2013. The increase of €0.4 million was primarily due to increased losses on exchange rates, due primarily to devaluations of the Russian Ruble and the Brazilian Real again the Euro.

Net non-recurring expenses and charges

Net non-recurring expenses and charges for the three month period ended March 31, 2014, decreased 82.5% to €0.3 million from €1.6 million for the comparable period of 2013. The decrease of €1.3 million was primarily attributable to non-recurring restructuring costs incurred in the first quarter of 2013 related to the closing of a factory in Italy and the transfer of production to another factory in Italy and a factory in Slovakia.

Income taxes

For the three months ended March 31, 2014, the Group recorded income taxes of €0.2 million, which was different from the three months ended March 31, 2013 when the Group instead recorded a tax benefit of €0.3 million. Such difference is due to the higher loss before taxes recognized in the 2013 period compared to the 2014 period.

Year ended December 31, 2013 compared to the year ended December 31, 2012

Revenue from sales and services

Revenue from sales and services for the year ended December 31, 2013, decreased 1.2% to €474.4 million from €480.2 million in 2012. The decrease of €5.8 million in revenue from sales and services was primarily attributable to a combination of non-recurring factors including the following:

- declining revenue in key countries such as Brazil, Mexico and Turkey due to local political instability and/or unexpected reductions in infrastructure spending;
- devaluation of certain foreign currencies against the euro, particularly the Russian Ruble, the Brazilian Real and other Latin American currencies, which had a negative effect of €24.3 million in 2013; and
- revenue fell by €1.9 million in Italy, due to adverse economic conditions, although this was offset by a €3.1 million increase in revenue in European Union countries other than Italy, where economic conditions improved relatively in 2013.

The following table shows the breakdown of our revenue from sales and services by geographic area for the years ended December 31, 2012 and 2013.

	For the Years Ended December 31,				Change	
	2012		2013		Amount	%
	(€ in thousands, except percentages) (Audited)					
Latin America	163,670	34.1%	165,916	35.0%	2,246	1.4%
EMEA (ex Italy)	149,798	31.2%	153,855	32.4%	4,057	2.7%
Asia Pacific	69,112	14.4%	68,267	14.4%	(845)	-1.2%
Italy	56,145	11.7%	54,219	11.4%	(1,926)	-3.4%
NAFTA	41,521	8.6%	32,152	6.8%	(9,369)	-22.6%
Revenue from sales and services	**480,246**	**100%**	**474,409**	**100%**	**(5,837)**	**-1.2%**

The primary movement between 2012 and 2013 related to the €9.4 million decrease in NAFTA. Following the Mexican presidential election, many public projects throughout Mexico were put on hold towards the end of 2012, which affected results starting in the first quarter of 2013. In addition, trading conditions in Italy continued to be difficult, as indicated above. This effect was amplified by the opening of new factories in Turkey and Russia in 2011 and 2012 and by expanding our capacity in Slovakia, jurisdictions into which our Italian production facilities had previously exported. This reduced our revenue from sales and services in Italy, but increased our revenue from sales and services in EMEA (ex Italy) (which increased from €149.8 million in 2012 to €153.9 million in 2013). Asia Pacific was substantially unchanged over the periods; although we increased capacity in this region, delays in certain projects in India and China caused results to decrease overall between 2012 and 2013. The Latin America increase of €2.2 million was due to the combined effect of a new project in Bolivia, partially offset by a slight downturn of revenue from sales and services in Brazil.

Other revenues

Other revenue for the year ended December 31, 2013, increased 77.2% to €11.5 million from €6.5 million in 2012. The increase of €5.0 million was primarily due to a release of provisions for risk and charges (equal to €2.5 million in 2013) following the settlement of certain contingent liability and to the gain from the disposal of assets (equal to €1.5 million in 2013).

Cost of materials and consumables

Cost of materials and consumables for the year ended December 31, 2013, increased 0.7% to €265.2 million from €263.4 million in 2012. The increase of €1.8 million was primarily the result of a €10.7 million increase in costs for raw materials in 2013. In addition, during the course of 2013, several production lines were relocated in Slovakia and certain production facilities were moved from Castilenti (Italy). These relocations involved a ramp up period during which the related production lines experienced lower levels of efficiency. The increase was largely offset by changes in inventories, which reduced costs by €8.8 million in 2013 (compared to a reduction of only €2.8 million in 2012) and by a €2.8 million decrease in costs related to secondary materials and consumables in 2013.

Costs of services and use of third party assets

The following table shows the breakdown by nature of our costs for services and use of third party assets for the years ended December 31, 2012 and 2013.

	For the Years Ended December 31,		Change	
	2012	2013	Amount	%
	(€ in thousands, except percentages) (Audited)			
Transport expenses	16,803	17,544	741	4.4%
Technical, legal, fiscal and consulting expenses	7,474	5,126	(2,348)	-31.4%
Remuneration of directors, Board of auditors	1,425	1,076	(349)	-24.5%
Advertising expenses	2,937	3,042	105	3.6%
Commissions	8,533	9,665	1,132	13.3%
Utilities expenses	8,211	8,353	142	1.7%
Travel expenses	6,965	7,046	81	1.2%
Banking service expenses	1,215	967	(248)	-20.4%
Insurance expenses	1,217	890	(327)	-26.9%
External manufacturing	6,022	10,445	4,423	73.5%
External maintenance	1,960	1,551	(409)	-20.9%
IT consulting	1,441	1,251	(190)	-13.2%
Information on client and debt collection	1,694	1,594	(100)	-5.9%
Other services	25,357	21,846	(3,511)	-13.9%
Total cost of services	**91,254**	**90,396**	**(858)**	**-0.9%**
Plant and equipment rents	2,424	2,532	108	4.5%
Selling and marketing rents	1,756	1,859	103	5.9%
Technical rents	293	276	(17)	-5.8%
General and administrative rents	1,286	1,206	(80)	-6.2%
Total cost for use of third party assets	**5,759**	**5,873**	114	2.0%
Costs of services and use of third party assets	**97,013**	**96,269**	**(744)**	**-0.8%**

Costs of services and use of third party assets for the year ended December 31, 2013, decreased 0.8% to €96.3 million from €97.0 million in 2012. The slight decrease of €0.7 million was primarily due to various offsetting changes in costs over the two year period, including primarily a €4.4 million increase in external manufacturing and an increase of €0.7 million in transport expenses in 2013, which were offset by decreases in other services (which decreased by €3.5 million in 2013) and technical, legal, fiscal and consulting expenses (which decreased by €2.3 million in 2013).

Cost of personnel

For the year ended December 31, 2013, our average headcount was 2,833 employees as compared to 2,708 for the year ended December 31, 2012, representing an increase of 4.6% in 2013. During the year the cost of personnel increased 1.2% to €74.2 million from €73.4 million in 2012. The slight increase of €0.9 million was primarily due to an increase in average employee headcount over the periods.

Other operating costs

Other operating costs for the year ended December 31, 2013, increased 84.3% to €2.9 million from €1.6 million in 2012. The increase of €1.3 million was primarily attributable to losses on disposals of assets in 2013 (which increased by €0.7 million in 2013).

Amortization, depreciation and write-downs

The following table shows the breakdown of our amortization, depreciation and write-downs for the years ended December 31, 2012 and 2013.

	For the Years Ended December 31,		Change	
	2012	**2013**	**Amount**	**%**
	(€ in thousands, except percentages) (Audited)			
Amortization of intangible assets	2,857	2,728	(129)	-4.5%
Depreciation of property, plant and equipment	10,684	10,847	163	1.5%
Other write-downs of property, plant, equipment and intangible assets	—	—	0	
Accrual to allowances for doubtful accounts	5,359	5,824	465	8.7%
Total amortization, depreciation and write-downs	**18,900**	**19,399**	**499**	**2.6%**

Amortization, depreciation and accrual to allowances for doubtful accounts for the year ended December 31, 2013, increased 2.6% to €19.4 million from €18.9 million in 2012. The increase of €0.5 million was primarily attributable to increased allowances for doubtful accounts (which increased by €0.5 million in 2013) due to continuing adverse economic conditions in certain jurisdictions, including Italy. As noted above, according to the policies applied by many of our foreign subsidiaries, we record the impairment of trade receivables overdue from more than 120 days (in addition to impairments accrued following a specific analysis of difficult customers).

Net expenses and losses from financial activities

The following table shows our net expenses and losses from financial activities for the years ended December 31, 2012 and 2013.

	For the Years Ended December 31,		Change	
	2012	**2013**	**Amount**	**%**
	(€ in thousands, except percentages) (Audited)			
Financial income	555	1,105	550	99.1%
Financial expenses	(11,551)	(12,094)	(543)	4.7%
Gains/(losses) on exchange rates	(387)	(3,713)	(3,326)	n.s.
Net expenses and losses from financial activities	**(11,383)**	**(14,702)**	**(3,319)**	**29.2%**

Net expenses and losses from financial activities for the year ended December 31, 2013, increased 29.2% to €14.7 million from €11.4 million in 2012. The increase of €3.3 million was primarily due to a €3.3 million increase in losses on exchange rates, due to the appreciation of the euro and the U.S. Dollar against certain other functional currencies of the Group's subsidiaries and to the effect of the exchange rate at the time of the distribution of certain reserves by our subsidiaries in South Africa, Russia, Brazil and Peru that were recorded at their historical currency value in our financial statements.

Net non-recurring expenses and charges

Net non-recurring expenses and charges for the year ended December 31, 2013, decreased 36.5% to €2.9 million from €4.5 million in 2012. The decrease of €1.6 million was primarily attributable to an increase of

€2.4 million in non-recurring income in 2013 (predominantly due to recognition of previously unrecorded deferred tax assets equal to €1.8 million). Increased restructuring costs due to the closure of a plant in Italy (equal to €3.3 million) and increased non-recurring accrual to provision for risks and charges (equal to €1.1 million) in 2013, were offset by reductions in 2013 of losses on sales of business and discontinued operations and expenses related to plant relocations (which fell to €0.3 million and €0.2 million in 2013, respectively, from €2.2 million and €2.4 million, respectively, in 2012).

Income taxes

Income taxes for the year ended December 31, 2013, decreased 31.1% to €3.6 million from €5.2 million in 2012. The decrease of €1.6 million was primarily attributable to the €5.4 million decrease in net income in 2013 compared to 2012. The Group's effective tax rate in 2013 was 41.0% in 2013, compared to 33.0% in 2012.

Year ended December 31, 2012 compared to the year ended December 31, 2011

Revenue from sales and services

Revenue from sales and services for the year ended December 31, 2012, increased 9.3% to €480.2 million from €439.5 million in 2011. The increase of €40.7 million in revenue from sales and services was primarily attributable to a combination of the following:

- the increase in revenue from sales was driven by strong demand in markets outside of the European Union, which increased by €54.4 million, supported by demand in Brazil, Russia, Malaysia and Peru; and
- due to adverse economic conditions and management decision to avoid credit risk associated with sales to weaker counterparties, revenue fell by €18.8 million in Italy, although this was partially offset by a €5.1 million increase in revenue in European Union countries other than Italy, where trading conditions remained relatively stable.

The following table shows the breakdown of our total revenue from sales and services by geographic area for the years ended December 31, 2011 and 2012.

	For the Years Ended December 31,				Change	
	2011		2012		Amount	%
	(€ in thousands, except percentages) (Audited)					
Latin America	143,044	32.5%	163,670	34.1%	20,626	14.4%
EMEA (ex Italy)	126,624	28.8%	149,798	31.2%	23,174	18.3%
Asia Pacific	57,073	13.0%	69,112	14.4%	12,039	21.1%
Italy	74,905	17.0%	56,145	11.7%	(18,760)	25.0%
NAFTA	37,859	8.6%	41,521	8.6%	3,662	9.7%
Revenue from sales and services	**439,505**	**100%**	**480,246**	**100%**	**40,741**	**9.3%**

As discussed above, we opened new factories in Turkey and Russia in 2011 and 2012 and expanded our capacity in Slovakia, jurisdictions into which our Italian production facilities had previously exported. This significantly reduced our revenue from sales and services in Italy, but increased our revenue from sales and services in EMEA (excluding Italy) (which increased from €126.6 million in 2011 to €149.8 million in 2012). In addition, our expansion efforts in Asia Pacific and Latin America continued to generate revenue in 2012, with results in those regions increasing by 21.1% and 14.4%, respectively. Results in NAFTA were also positive, although the Presidential election in July of 2012 in Mexico and the subsequent suspension of certain projects in Mexico mitigated the revenue increases in NAFTA during 2012.

Other revenues

Other revenue for the year ended December 31, 2012, decreased to €6.5 million from €23.8 million in 2011. The decrease of €17.3 million was primarily due to the significant decrease (equal to €7.2 million) in repayments of transportation costs as a consequence of the change in our pass-through invoicing policy, according to which transportation costs were included in the price of certain products (thereby increasing revenue from sales and services, but decreasing other revenue) and decreases (equal to €11.7 million) in inventory variations between 2012 and 2011.

Cost of materials and consumables

Cost of materials and consumables for the year ended December 31, 2012, increased 3.4% to €263.4 million from €254.7 million in 2011. The increase of €8.6 million was primarily the result of increased activity in 2012 compared to 2011 and decreased variations in inventories of raw materials, consumables and goods (which had a negative effect on costs of €2.8 million in 2012 compare to a negative effect of €7.6 million in 2011).

Costs of services and use of third party assets

The following table shows the breakdown by nature our costs for services and use of third party assets for the years ended December 31, 2011 and 2012.

	For the Years Ended December 31,		Change	
	2011	2012	Amount	%
	(€ in thousands, except percentages) (Audited)			
Transport expenses	19,426	16,803	(2,623)	-13.5%
Technical, legal, fiscal and consulting expenses	7,644	7,474	(170)	-2.2%
Remuneration of directors, Board of auditors	1,549	1,425	(124)	-8.0%
Advertising expenses	2,837	2,937	100	3.5%
Commissions	8,656	8,533	(123)	-1.4%
Utilities expenses	8,668	8,211	(457)	-5.3%
Travel expenses	6,377	6,965	588	9.2%
Banking service expenses	1,716	1,215	(501)	-29.2%
Insurance expenses	1,223	1,217	(6)	-0.5%
External manufacturing	5,931	6,022	91	1.5%
External maintenance	2,427	1,960	(467)	-19.2%
IT consulting	1,394	1,441	47	3.4%
Information on client and debt collection	1,485	1,694	209	14.1%
Other services	23,683	25,357	1,674	7.1%
Total cost of services	**93,016**	**91,254**	**(1,762)**	**-1.9%**
Plant and equipment rents	2,464	2,424	(40)	-1.6%
Selling and marketing rents	1,405	1,756	351	25.0%
Technical rents	176	293	117	66.5%
General and administrative rents	1,455	1,286	(169)	-11.6%
Total cost for use of third party assets	**5,500**	**5,759**	**259**	**4.7%**
Costs of services and use of third party assets	**98,516**	**97,013**	**(1,503)**	**-1.5%**

Costs of services and use of third party assets for the year ended December 31, 2012, decreased 1.5% to €97.0 million from €98.5 million in 2011. The decrease of €1.5 million was primarily due to various offsetting changes in costs over the two year period, including primarily a €2.6 million decrease in transport expenses in 2012, partially offset by a €1.7 million increase in costs for other services. Other costs of services and use of third party assets were substantially in line with the prior year.

Cost of personnel

Cost of personnel for the year ended December 31, 2012, increased 4.1% to €73.4 million from €70.4 million in 2011. The increase of €2.9 million was primarily due to increased activity in 2012 compared to 2011 and the simultaneous increase in average headcount. For the year ended December 31, 2012, our average headcount was equal to 2,708 employees as compared to 2,581 for the year ended December 31, 2011.

Other operating costs

Other operating costs for the year ended December 31, 2012, increased to €1.6 million from €0.7 million in 2011. The increase of €0.9 million was primarily attributable to fiscal contingencies in 2012 (equal to €0.5 million).

Amortization, depreciation and write-downs

The following table shows the breakdown of amortization, depreciation and write-downs for the years ended December 31, 2011 and 2012.

	Years Ended December 31,		Change	
	2011	2012	Amount	%
	(€ in thousands, except percentages) (Audited)			
Amortization of intangible assets	3,200	2,857	(343)	-10.7%
Depreciation of property, plant and equipment	9,628	10,684	1,056	11.0%
Other write-downs and write-backs of property, plant, equipment and intangible assets	(47)	—	47	n.s.
Accrual to allowances for doubtful accounts	3,416	5,359	1,943	56.9%
Total amortization, depreciation and write-downs	**16,197**	**18,900**	**2,703**	**16.7%**

Amortization, depreciation and accrual to allowances for doubtful accounts for the year ended December 31, 2012, increased 16.7% to €18.9 million from €16.2 million in 2011. The increase of €2.7 million was primarily attributable to a €1.1 million increase in depreciation of property, plant and equipment (due to increased property, plant and equipment in 2012) and a €1.9 million increase in accrual to allowances for doubtful accounts due to continuing adverse economic conditions in 2012 in certain jurisdictions, particularly Italy and Spain, were trading conditions continued to deteriorate in 2012. As noted above, according to the policies applied by many of our foreign subsidiaries, we record the impairment of trade receivables overdue from more than 120 days (in addition to impairments accrued following a specific analysis of difficult customers).

Net expenses and losses from financial activities

The following table shows our net expenses and losses from financial activities for the years ended December 31, 2011 and 2012.

	For the Years Ended December 31,		Change	
	2011	2012	Amount	%
	(€ in thousands, except percentages) (Audited)			
Financial income	417	555	138	33.1%
Financial expenses	(8,113)	(11,551)	(3,438)	42.4%
Gains/(losses) on exchange rates	(436)	(387)	49	-11.2%
Net expenses and losses from financial activities	**(8,132)**	**(11,383)**	**(3,251)**	**40.0%**

Net expenses and losses from financial activities for the year ended December 31, 2012, increased 40.0% to €11.4 million from €8.1 million in 2011. The increase of €3.3 million was primarily due to the increase in financial expenses, related predominantly to a €3.5 million increase in interest and other financial expenses due to increased activity in 2012 and a related increase in financial indebtedness.

Net non-recurring expenses and charges

Net non-recurring expenses and charges for the year ended December 31, 2012, increased to €4.5 million from €1.3 million in 2011. The increase of €3.2 million was primarily attributable to €4.7 million in non-recurring expenses and charges in 2012 (related predominantly to losses on sales of business and expenses related to plant relocations), while non-recurring gains in 2012 amounted to only €0.3 million compared to €2.3 million in 2011 (related to reversals to provision for risks and charges, gains on sales of business and other non-recurring gains).

Income taxes

Income taxes for the year ended December 31, 2012, increased 8.2% to €5.2 million from €4.8 million in 2011. The increase of €0.4 million was primarily attributable to the €3.1 million increase in net income in 2012 compared to 2011. The Group's effective tax rate in 2012 was 33.0% in 2012, compared to 39.2% in 2011.

Liquidity and Capital Resources

Liquidity before the Transactions

Our cash needs relate mainly to of the following:

- operating activities, including our net working capital requirements;
- servicing our indebtedness;
- funding capital expenditures; and
- paying taxes.

Our sources of liquidity have historically consisted mainly of the following:

- cash generated from our operating activities;
- borrowings under our Existing Facilities; and
- the sale of trade receivables on a recourse and non-recourse basis under the Ifitalia Factoring Facility.

As of March 31, 2014, our net financial indebtedness (including netting off current financial assets related to the SECI Receivable) amounted to €115.4 million compared to €82.7 million as of December 31, 2013. As of March 31, 2014, we had cash and cash equivalents of €20.3 million compared to €22.8 million as of December 31, 2013, and other current financial assets of €34.3 million compared to €33.7 million as of December 31, 2013.

Liquidity following the Transactions

Following the completion of the Transactions, our primary sources of liquidity will consist of the following:

- a portion of the net proceeds of the Notes offered hereby;
- cash generated from our operating activities;
- sale of trade receivables on a recourse and non-recourse basis through the Ifitalia Factoring Facility, which, pursuant to an amendment to be dated on or prior to the Issue Date, is a €30.0 million committed facility for a period of three years from the amendment date; and
- indebtedness to remain outstanding under our Existing Facilities after the issuance of the Notes and drawings from other short-term, uncommitted lines.

As of March 31, 2014, our adjusted net financial indebtedness amounted to €184.3 million. As of March 31, 2014, we had adjusted cash and cash equivalents of €41.6 million and other current financial assets of €0.3 million. For more information regarding our indebtedness and cash service requirements on our indebtedness following the Offering, see "*Summary Historical Consolidated Financial Information and Other Data*", "*Capitalization*" and "*Description of Certain Financing Arrangements*".

In addition, as described in "*Description of Certain Financing Arrangements—SIMEST Arrangements*", SIMEST has partnered with us as a minority investor in certain of our subsidiaries. Pursuant to our contractual arrangements with SIMEST, the Group receives any dividends on shares held by SIMEST in our subsidiaries. For the years ended December 31, 2011, 2012 and 2013, the Issuer received €0.5 million, €3.3 million and €6.4 million in dividends related to subsidiaries in which shares are held by both SIMEST and the Issuer. Over the same period, the Group paid SIMEST approximately €0.8 million per annum in interest on funds invested by it in our subsidiaries pursuant to our contractual arrangements with SIMEST.

We believe that our available liquidity will be sufficient to meet our cash flow requirements, subject to the risks and uncertainties described in "*Risk Factors*".

Cash flows

The following table summarizes our consolidated cash flows statement for the three years ended December 31, 2011, 2012 and 2013 and for the three month periods ended March 31, 2013 and 2014.

	Year Ended December 31,			Three Month Period Ended March 31,	
	2011	2012	2013	2013	2014
	(€ in thousands)				
		(audited)		(unaudited)	
Net cash flow from/(used in) operating activities	11,656	19,115	19,997	(31,428)	(21,797)
Net cash flow used in investing activities	(21,225)	(20,548)	(19,609)	(7,982)	(2,525)
Net cash flow from/(used in) financing activities	13,402	(9,656)	6,741	33,625	21,924
Net effect of foreign currencies exchange rate variation and other changes	(2,629)	(760)	(3,768)	1,074	(112)
Cash and cash equivalents at the beginning of the period	30,107	31,311	19,462	19,462	22,823
Changes in cash and cash equivalents	1,204	(11,849)	3,361	(4,711)	(2,510)
Cash and cash equivalents at the end of the period	31,311	19,462	22,823	14,751	20,313

Net cash flow from operating activities

Three months ended March 31, 2013 and 2014

Our operating activities used net cash of €21.8 million in the three months ended March 31, 2014, compared to net cash flow of €31.4 million used in the three months ended March 31, 2013. The €9.6 million decrease in net cash used from operating activities was primarily due to the increase in operating results in the first quarter of 2014 and to a reduction in the acquisition of raw materials in the first quarter of 2014 related to the Group's decision at the end of 2013 to purchase a significant amount of raw materials to benefit from low market prices, particularly in Brazil, in the last months of 2013. Our operations are affected to some extent by seasonality, with cash from operating activities peaking in the months from May to October when our customers in the northern hemisphere develop most of their projects and consequently purchase most of the materials. This seasonality is partially mitigated by the wide geographical distribution of our operations and the lead time inherent in our production activities, which tend to be most intense in the first quarter to be prepared for the peak season. For this reason, the first quarter typically shows significant cash used in operating activities.

Years ended December 31, 2012 and 2013

Our operating activities generated net cash of €20.0 million in the year ended December 31, 2013, compared to net cash flow of €19.1 million generated in the year ended December 31, 2012. The €0.9 million increase in net cash flow from operating activities was primarily due to the combined effect of a €5.3 million decrease in our operating results in 2013, due to the postponement of several project (primarily in Mexico and China) in which the Group was involved and a decrease in the Group net working capital of €4.0 million mainly driven by an increase of inventories of €1.8 million, a decrease in trade receivables of €9.0 million and a decrease in advances paid by customers of €3.9 million.

Years ended December 31, 2011 and 2012

Our operating activities generated net cash of €19.1 million in the year ended December 31, 2012, compared to net cash flow of €11.7 million generated in the year ended December 31, 2011. The €7.5 million increase in net cash flow generated from operating activities was primarily due to the combined effect of an increase of €9.9 million in our operating results in 2012, due to increased project development during 2012 and an increase in our 2012 net working capital of €1.4 million mainly driven by a decrease of inventories of €6.9 million, an increase in trade receivables of €1.1 million and an increase in the other elements of net working capital of €6.5 million due to the increase of debt due to factoring companies for trade payables sold.

Net cash flow used in investing activities

Three months ended March 31, 2013 and 2014

Our investing activities used net cash of €2.5 million in the three months ended March 31, 2014, compared to net cash flow used of €8.0 million in the first quarter of 2013. The €5.5 million decrease in net cash flow used in investing activities was primarily due to reduced investment in property plant and equipment during the period

in 2014. Over the last three years, the Group has invested heavily in new subsidiaries and in new markets to expand our presence and production capacity. As part of this expansion plan, the Group made significant investments in the first quarter of 2013 in a new production line and new plants in Brazil, the Philippines and Peru. Following the completion of our investment plan at the end of 2013, the Group used less cash in investing activities in the first quarter of 2014, related mainly to ordinary course renewal of equipment and machinery.

Years ended December 31, 2012 and 2013

Our investing activities used net cash of €19.6 million in the year ended December 31, 2013, compared to net cash used in investing activities of €20.5 million in the year ended December 31, 2012, representing a decrease of €0.9 million over the periods. Investments in new intangible assets and property, plant and equipment (net of disposals and dismissal) was substantially stable over the periods, decreasing from cash flow used of €18.5 million in 2012 to cash flow used of €17.7 million in 2013. These investments were made by the Group in connection with expansion plan discussed above. Over the course of 2013, the Group completed a new factory in China, renewed our Bolivian production plant and our Brazilian subsidiaries made significant investments in equipment and machinery, refurbishing a production line for MacDrain products and purchasing new production lines for geosynthetics. Amounts of cash used in business combinations, in the acquisition of additional shares in controlled entities and for the increase in investments in joint ventures and associates were substantially stable over the periods, decreasing €0.1 million from €2.0 million in 2012 to €1.9 million in 2013. In 2013, the Group acquired an additional 20% in the share capital of Elas Geotecnica S.r.l. and acquired new investments in minor companies and certain other long-term investments. Our results in 2012 were primarily influenced by the recapitalization of Arenaria S.r.l. and its subsidiary Prama S.r.l., subsequently sold as operating a non-core business.

Years ended December 31, 2011 and 2012

Our investing activities used net cash of €20.5 million in the year ended December 31, 2012, compared to net cash flow used in investing activities of €21.2 million in the year ended December 31, 2011, representing a decrease in net cash flow used of €0.7 million over the periods. Net capital expenditures decreased €2.0 million over the periods, from net cash flow used of €20.5 million in 2011 to net cash flow used of €18.5 million in 2012. Investments in 2012 related to the Group's expansion plans, discussed above. Over the course of 2012, the Group purchased new offices in Spain, acquired machinery for double-twist products in Bolivia, the Philippines and Turkey. Amounts of cash used in business combinations and in the acquisition of additional shares in controlled entities increased €1.2 million from €0.8 million in 2011 to €2.0 million in 2012. The increase was mainly due to the sale of our subsidiary Arenaria S.r.l. and its subsidiary, Prama S.r.l., who each operate non-core business. The sale of the companies resulted in a cash outflow, as indicated above. In 2011, inter alia, the Group completed the acquisition of an additional interest in Elas Geotecnica S.r.l. and Geotim Sp Z.O.O.

Net cash flow from financing activities

Three months ended March 31, 2013 and 2014

Our financing activities generated net cash flow of €21.9 million in the three months ended March 31, 2014, compared to net cash flow of €33.6 million generated in the comparable period in 2013. This €11.7 million decrease in net cash flow generated by financing activities was primarily due to a decrease in cash requirements for operating and investing activities. As discussed above, the Group is affected by seasonality and typically relies on financing facilities to a greater extent in the first quarter of each year, using short-term bank borrowings, financing facilities and non-recourse and recourse factoring. In the first quarter of 2013, our financing activities were also influenced by the source of funding obtained. SIMEST completed a capital increase in our subsidiary Maccaferri Industria e Comercio de Artefatos Plasticos Ltda, providing €1.9 million as a contribution of non-controlling interests.

Years ended December 31, 2012 and 2013

In the year ended December 31, 2013, our financing activities generated net cash flow of €6.7 million as compared to 2012 when our financing activities used, instead, net cash flow of €9.7 million. This €16.4 million change was primarily due to the combined effect of the following: (i) the higher capital increase subscribed by our parent company in 2013; (ii) the net proceeds from borrowings of €32.7 million in 2013 compared to net reimbursement for €1.1 million in 2012 due to new financing agreements entered into in 2013; (iii) the increase

of cash used in short term financial assets related to the subscription in 2013 of a short term interest bearing investment; (iv) the early redemption of non-current bonds and (v) a higher dividend paid in 2013 compared to 2012.

Years ended December 31, 2011 and 2012

In the year ended December 31, 2012, our financing activities used net cash flow of €9.7 million as compared to 2011 when our financing activities generated, instead, net cash flow of €13.4 million. This €23.1 million decrease in net cash flow generated by financing activities was primarily due to: (i) the net reimbursement of borrowings in 2012 for €1.1 million compared to 2011 when the net proceeds from borrowings amounted to €13.7 million (ii) the increase of cash used in short term financial assets in 2012 for €6.0 million due to the increase of financial receivables due by SECI, (iii) the higher dividends paid in 2012 for €0.8 million, and (iv) the lower capital increase in 2012 compared to 2011.

Hedging arrangements

We have entered into derivative contracts to hedge interest rate risk as well as exchange rate risks on commercial receivables and payables, as well as financial receivables and payables.

The table below summarizes our foreign exchange hedging contracts by currency, notional value (in euro) and fair value as of December 31, 2013.

Contracts as of December 31, 2013	**Notional amount in currency (in thousands)**		**Notional in €**	**Mark To Market as of December 31, 2013**	
Currency	**Purchased**	**Sold**		**Assets in €**	**Liabilities in €**
			(€ in thousands)		
EUR	598	0	598	15	0
GBP	508	10	621	5	(1)
NZD	225	0	134	1	0
USD	7,402	10	5,375	128	(1)
Total	**8,733**	**20**	**6,728**	**149**	**(2)**
Net total (assets—liabilities)				**147**	

Our policy is to hedge exchange rate risk each time there is a cash inflow (trade receivables, financial receivables and other receivables) or cash outflow (trade payables, financial payables and other payables) in a foreign currency. Our Group companies which typically engage in hedging are the Issuer and Maccaferri Environmental Solutions (India). The hedging contracts described above relate to forward exchange rates and currency swap contracts, and all such contracts have expiration dates within 2014.

In addition, during 2013 the Issuer entered two interest rate swap, designed to cover interest rate risk on certain floating rate bank borrowing. The contracts are described in the table below.

Counterparty	**Type of Contract**	**Stipulation Date**	**Expiration Date**	**Rate**	**Notional (€ in thousands)**	**Mark to Market as of December 31, 2013 (€ in thousands)**
BNP Paribas	IR Swap	Nov. 7, 2013	Sept. 19, 2018	0.855% per annum	14,421	(17)
Cassa di Risparmio di Cento	IR Swap	Mar. 27, 2013	June 27, 2020	1.07% plus spread per annum	1,500	5
Total						**(12)**

Net Financial Indebtedness

The following table presents the breakdown of our net financial indebtedness as of December 31, 2011, 2012 and 2013 and March 31, 2014:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	(€ in millions)			(Unaudited)
Non-current portion of bank loans and other financial liabilities	(25.2)	(40.4)	(64.7)	(54.5)
Non-current bonds	(17.4)	(17.4)	—	—
Current portion of bank loans and other financial liabilities	(97.1)	(74.3)	(82.7)	(115.4)
Other current financial assets[(1)]	2.5	11.0	33.7	34.3
Cash and cash equivalents	31.3	19.5	22.8	20.3
Net financial indebtedness	**(105.9)**	**(101.6)**	**(90.9)**	**(115.3)**

(1) Refers primarily to receivables due to the Issuer from SECI.

"Net financial indebtedness" is calculated as the sum of current and non-current bank loans and other financial liabilities and non-current bonds, less other current financial assets and cash and cash equivalents. We present net financial indebtedness in this Offering Memorandum because we understand that certain investors believe that netting cash against debt provides a clearer picture of the financial liability exposure. However, other companies may present net financial indebtedness differently than we do. Net financial indebtedness is not a measure of financial liquidity under Italian GAAP, IFRS or any other generally accepted accounting principles and should not be considered as an alternative to any other measures of performance derived in accordance with Italian GAAP.

Over the periods presented, we increased our non-current portion of bank loans and other financial liabilities due to the policy of the Group to extend the maturities of our indebtedness. The increase in the current portion of bank loans and other financial liabilities, particularly in the first quarter of 2014, is due to seasonal factors affecting our business, primarily the tendency for projects utilizing our products to be suspended during the winter months at the beginning of the year. As a result, we rely on short-term debt to a greater extent at the beginning of the year, but this debt is reduced during the course of the spring and summer as our cash generation increases.

"Non-current bonds" refers to certain bonds entirely subscribed by the ultimate parent's shareholders that were redeemed early at the end of 2013 with cash. The cash repaid was subsequently reinvested in the Issuer by way of a capital increase. In addition, other financial assets increased at the end of 2013, when we invested excess cash in commercial paper.

Net working capital

Our working capital and trade working capital levels vary as a result of several factors, including the impact of raw material prices and selling prices, the variability of working capital related to production stoppages and maintenance works, changes in payment terms in the case of key suppliers, foreign exchange rates, our decisions to hold inventories, the operating level of our business and cyclicality of the industries that we supply.

Historically, we have financed our working capital requirements out of available cash balances, cash earnings and active working capital management. To ensure that we have adequate liquidity for our working capital requirements, the Ifitalia Factoring Facility will be available upon completion of the Offering. We believe that our operating cash flows, together with the cash reserves and the Ifitalia Factoring Facility, will be sufficient to fund our working capital requirements, anticipated capital expenditures and debt service requirements as they become due, although we cannot assure you that this will be the case.

The following table summarizes our net working capital as of December 31, 2011, 2012 and 2013 and as of March 31, 2014.

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	(€ in thousands)			
	(audited)			(Unaudited)
Inventories	92,350	85,457	87,282	98,239
Trade receivables	109,181	110,307	101,301	100,634
Advances from customers	(3,254)	(6,454)	(2,517)	(2,511)
Trade payables	(69,225)	(65,436)	(62,861)	(64,996)
Other elements of net working capital[(1)]	(45,639)	(39,096)	(42,453)	(28,556)
Net working capital[(2)]	**83,413**	**84,778**	**80,752**	**102,810**

(1) Other elements of net working capital is the sum of current tax receivables, other current non-financial assets, current tax payables, other current non-financial liabilities and provisions for risks and charges. The table below provides the breakdown of the other elements of working capital as of December 31, 2013, 2012 and 2011 and as of March 31, 2014:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	(€ in thousands)			
	(audited)			(Unaudited)
Current tax receivables	7,224	6,570	8,437	8,439
Other current non-financial assets	11,549	12,784	10,780	11,541
Current tax payables	(6,575)	(4,959)	(6,142)	(5,116)
Other current non-financial liabilities	(48,425)	(45,155)	(47,161)	(34,600)
Provisions for risks and charges	(9,412)	(8,336)	(8,367)	(8,820)
Other elements of net working capital	**(45,639)**	**(39,096)**	**(42,453)**	**(28,556)**

(2) "Net working capital" is not a recognized measure of financial performance or liquidity under Italian GAAP or any other generally accepted accounting principles and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of Financial Information—Non-GAAP Financial Measures*".

Capital Expenditures

Our net capital expenditures are primarily related to projects to expand and sustain our manufacturing operations and facilities, improve our cost base, expand our production capacity and develop and manufacture new products. We finance our maintenance and expansion capital expenditures primarily from cash flows from operations and, in certain cases, with bank loans and financial lease contracts.

We have completed significant capital expenditures over the last three years, focused primarily on expanding our operations. Our total net capital expenditures amounted to €20.5 million, €18.5 million and €17.7 million, respectively, for the years ended December 31, 2011, 2012 and 2013 and amounted to €12.4 million for the twelve months ended March 31, 2014. In addition, for the three months ended March 31, 2013 and 2014, our total net capital expenditures amounted to €7.8 million and €2.5 million, respectively.

The following table summarizes our net capital expenditures for the years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2013 and 2014:

	For the year ended December 31,			For the three months ended March 31,	
	2011	2012	2013	2013	2014
	Audited			Unaudited	
Investments in property, plant, equipment and intangible assets	26,272	22,499	20,782	11,173	2,665
Disposals of property, plant, equipment and intangible assets	(5,769)	(3,963)	(3,094)	(3,341)	(124)
Net capital expenditure	**20,503**	**18,536**	**17,688**	**7,832**	**2,541**

Our primary investments over the three-year period 2011-2013 were as follows:

- in China, we built a new factory dedicated to the production of double twist mesh products and purchased a new steel fibers production line (operated by our subsidiaries Maccaferri Changsa Envirotech Co. Ltd and Maccaferri (Tianjin) Fibers Co. Ltd.);
- in Bolivia, we renovated our double twist mesh production plant and acquired new production machinery for double twist mesh products (operated by our subsidiary Maccaferri de Bolivia Ltda);
- in Brazil, we invested in equipment and machinery, including new production lines (operated by our subsidiaries BMD Texteis Ltda, Maccaferri do Brasil Ltda and Maccaferri Industria e comercio de artefatos plasticos Ltda);
- in Spain, we acquired a new office building (and sold our prior offices in Spain) and acquired new production lines for the construction of welded panel Gabions (operated by our subsidiary A. Bianchini Ingeniero S.A.);
- in Russia, we constructed a new production plant in Zaraisk (and closed our plant in Dmitrov), increasing our double twist mesh production capacity and adding new production capacity for geosynthetics (operated by our subsidiary Maccaferri Gabions CIS);
- our Slovak subsidiary (Maccaferri Central Europe S.ro.) constructed a new production plant and acquired a new geosynthetics production line; and
- in Peru, the Philippines and Turkey, we acquired new double-twist mesh production lines (operated by our subsidiaries Maccaferri de Peru S.A.C., Maccaferri Philippines Manufacturing Inc. and Tekno Maccaferri Cerve Teknolojilieri, respectively).

Net capital expenditures made by the subsidiaries indicated above were equal to €15.4 million, €15.7 million and €8.6 million for the years ended December 31, 2011, 2012 and 2013, respectively, or 75.2%, 84.8% and 48.8%, respectively, of our total net capital expenditures such years.

For the three months ended March 31, 2013 and 2014, our total net capital expenditures decreased from €7.8 million to €2.5 million, respectively. The decrease in our net capital expenditures in 2014 was due primarily to the completion in 2013 of our recent expansion investment plans described above. Since the completion of this expansion investment cycle, we believe that our well-invested manufacturing base will require limited maintenance expenditures. See "*—Key Factors Affecting Our Results of Operations—Significant expansion capital expenditures in recent years*" for further information.

Off Balance Sheet Arrangements

The following table summarizes our off balance sheet arrangements as of December 31, 2011, 2012 and 2013 and March 31, 2014:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	(€ in millions)			
	(Unaudited)			
Guarantees and performance bonds issued for the benefit of third parties[1]	5.7	6.3	7.4	8.3
Pledged securities[2]	0.1	0.1	0.1	0.1
Guarantees issued to third parties as deposits[3]	0.3	1.5	1.5	1.5
Commitments for currency forward contracts[4]	10.2	9.3	6.8	5.5
Trade receivables sold on a recourse basis[5]	3.9	3.6	3.2	6.1
Obligations to SIMEST[6]	11.1	—	—	—
Total	**31.3**	**20.8**	**19**	**21.5**

(1) Guarantees and performance bonds given primarily to clients as a guarantee of supply and guarantees in support of subsidiaries of the Issuer.

(2) Refers to notes held by a third party.

(3) Refers to security deposits and guarantees provided to subsidiaries in connection with property rental agreements in certain jurisdictions.

(4) This item refers to the notional value of the Group's obligations under derivative contracts entered into to hedge currency exchange rate risk on commercial receivables and payables, and financial receivables and payables, as described further below. See "*—Hedging arrangments*".

(5) This item refers to receivables sold pursuant to the Ifitalia Factoring Facility on a recourse basis.
(6) This item refers, in 2011 only, to the Issuer's future commitment to repurchase the shares held by SIMEST in the following Group subsidiaries: Maccaferri SA PTY Ltd (for €2.5 million), Maccaferri Balkans Sh. P.k. (for €0.4 million), Maccaferri Asia Ltd (for €4.3 million) and Maccaferri do Brasil Holding Partecipacoes Empresariais e Imobiliariais Ltda (for €3.9 million). This commitment was transferred to the Issuer's parent company SECI in the course of 2012. See "*Description of Certain Financing Arrangements—SIMEST Arrangements*" for additional information.

Contractual obligations

The following table summarizes our contractual obligations and the effect such obligations and commitments are expected to have on our liquidity and cash flows, as of March 31, 2014, on an adjusted basis for the Transactions, including the repayment of certain indebtedness and the purchase of our headquarters from SECI.

	Payments Due by Period			
	Total	**Less than 1 Year**	**2–5 Years**	**More than 5 Years**
	(€ in millions)			
	(Unaudited)			
Existing Facilities[(1)]	17.3	2.9	11.9	2.5
Notes offered hereby[(2)]	200.0	—	—	200.0
Financial lease obligations[(3)]	3.6	1.5	1.6	0.5
Other financial obligations[(4)]	5.3	5.3	—	—
Total Contractual Obligations	**226.2**	**9.7**	**13.5**	**203.0**

(1) See "*Description of Certain Financing Arrangements*" for a summary of the material terms of our bank facilities that will remain outstanding following the Offering.
(2) Refers to the aggregate principal amount of the Notes offered hereby.
(3) Refers to the aggregate amount of financial leases.
(4) Includes recourse and reverse factoring and other obligations toward third parties.

Critical accounting policies

Our significant accounting policies, which we have applied consistently, are fully described in Note 4, page F-49, to our annual consolidated financial statements.

We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require subjective judgments by management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Estimates are based on past experience and other factors considered reasonable in the circumstances. Actual amounts could differ from these estimates, based on different assumptions or different operating conditions.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets, including goodwill, are recorded at their acquisition cost. Property, plant and equipment and intangible assets are depreciated or amortized on a straight-line basis over their estimated useful lives. The useful lives of long-lived assets are subject to several factors, such as technological feasibility, obsolescence, changes in consumer demand and strategic management decisions. Property, plant and equipment and intangible assets, including goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of such assets exceed the fair value of the assets. Considerable judgment is required to estimate the fair value of the impaired asset.

Provision for risks and charges

Management exercises judgment in recording provisions for liabilities and exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation as well as other contingent liabilities. Judgment is necessary in assessing the likelihood

that a pending claim or a potential liability will in fact occur and to quantify the possible range of the final settlement. When the occurrence of a contingency or potential liability is probable, an amount for contingent liabilities that represents management's estimate at that date is accrued.

Provisions for risk and charges are accrued for specific, certain or likely to be incurred losses or amounts due that at the reporting date are uncertain in the amount or in the date on which they will arise and reflect the best possible estimate on the basis of the information available. In particular, the provision for tax litigation and for deferred tax liabilities include the deferred tax liability accrued by each separate consolidated company in relation to the deferral of the taxation. The pension and similar provision include the provision for agents retirement or termination, which represent the estimate of the expenses the Group would incur should the agency relationship be suspended.

Recognition of revenues and costs

Revenues are recorded to the extent it is likely that the Group will attain economic benefits and their amount is determinable in a reliable manner. Revenues are represented on a net basis after deducting discounts, coupons and returns. The revenue from the sales of products are recognized when the right of ownership on the relevant goods is transferred, which normally occurs at the moment of their delivery or shipment (based on contractual terms). Revenues for services are recognized on an accrual basis, depending upon the moment in which the services are performed. Revenues and expenses of a financial nature for services are recognized in compliance with the accrual accounting principle. Revenues and costs relating to operations in foreign currency are determined by the current exchange rate on the date in which the relevant operation is carried out.

Income taxes

Management is required to estimate income taxes. This process involves an estimation of actual current tax exposure and the assessment of the temporary differences resulting from differing treatment of financial statements line items. These differences result in deferred tax assets and liabilities. Deferred tax assets are recognized only if there exists evidence that the assets will be realized with reasonable certainty. Significant management judgment is required in determining the provision for income taxes, deferred tax assets, deferred tax liabilities and valuation allowances to reflect the potential inability to fully recover deferred tax assets previously accrued. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual collections and payments may materially differ from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting related income tax balances.

Deferred tax assets

Deferred tax assets are recognized, to the extent that there is a reasonable certainty of their recoverability, for all deductible temporary differences, unused carried forward tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused carried forward tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. The assessment of expected future taxable profit depends on factors which may vary over time and may have significant effects on the recognition of deferred tax assets.

Quantitative and qualitative disclosure of market risk

Upon completion of the Transactions, we will be principally exposed to market risk from changes in foreign currency exchange rates, credit risk and, to a lesser extent, liquidity risk and changes in the prices of raw materials. We monitor and manage those risks as an integral part of our overall risk management which recognizes the unpredictability of financial markets and seeks to reduce their potentially adverse effects on our results.

Currency risk

This risk relates to the effect of fluctuations in exchange rates on sales, purchases and loans in currencies other than the functional currencies of the various Group entities. The Group is exposed to currency risk, particularly in relation to fluctuations of Brazialian Reals, Indian rupees, Pounds Sterling and U.S. dollars.

The risk of exchange rate fluctuations is managed using exchange rate hedges when significant differences are noted between cost and revenue in foreign currency. If that is the case, such differences are hedged through forward purchase and sales contracts. These provide for the purchase/sale of agreed amounts in foreign currency at a set exchange rate against the euro or the different subsidiaries' functional currencies. However, such hedging activities have not been and may not be in the future always be sufficient to protect us against the consequences of a significant fluctuation in exchange rates on our results of operations.

The impact of exchange rates fluctuations on our results of operations can be significant. See "*Key Factors Affecting Our Results of Operations—Fluctuations in currency exchange rates*" and note 5 of our consolidated financial statements as of and for the three years ended December 31, 2013, 2012 and 2011 included elsewhere in this offering memorandum.

Credit risk

This is the risk that a customer or the counterparty to a financial instrument will be unable to meet an obligation, leading to a financial loss. These risks arise mainly in relation to trade receivables and financial investments. The Group's exposure to credit risk depends largely on each customer's specific characteristics. The demographics of the Group's customer portfolio, including the segment insolvency risk and the country risk, have an impact on the credit risk. The Group accrues an allowance for doubtful accounts equal to the estimated losses on trade and other loans and receivables. It comprises both the recognition of impairment losses for material individual amounts and the recognition of collective impairment for similar groups of assets to cover losses already incurred but not yet identified. The collective impairment losses are calculated on the basis of historical payment statistics. Many of the Group's trade receivables are due from leading operators in our various markets and/or from longstanding customers. The Group's historical figures indicate a modest amount of bad debts. The risk is fully covered by the corresponding allowance for impairment recognized in the financial statements. There are no cases of very concentrated credit risk in geographical terms.

Liquidity risk

This risk relates to the Group's ability to meet its obligations arising from financial liabilities. The Group's approach to liquidity management is to ensure adequate funds are always available to cover its obligations at the expiration dates, both in normal conditions and at times of financial difficulty, without incurring borrowing expense at terms higher than market conditions. The Group generally ensures there is sufficient cash and cash equivalents to cover forecast short-term operating expenses, including those related to financial liabilities. Contingent effects following extreme situations that cannot reasonably be forecast, such as natural disasters, are excluded from the above. Historically, the Group has always met its obligations on time.

Raw material price risk

As a result of the nature of its activities, the Group is exposed to the risk of fluctuations in the purchase price of raw materials, particularly steel wire, steel wire rod, ingots for zinc coating, aluminum, polymeric compounds, yarns and monofilaments and plastic. We typically manage to pass increases in raw materials prices through to our customers; however, volatility in the prices of our core raw materials could ultimately affect our operating income and results of operations. Raw material shortages or significant increases in the price of raw materials could increase our costs and may reduce our operating income if we are not able to pass through all of the increases to our customers.

Introduction

The key product categories that we offer reflect the markets in which we compete.

- *Double twist mesh:* our "*Gabions,*" "*Reno Mattresses*" and other proprietary products are steel-wire mesh baskets filled with rock to form flexible, durable and permeable building blocks from which a broad range of structures can be built to prevent soil erosion, support unstable ground and strengthen soils in mining, construction and other civil engineering projects;
- *Geosynthetics:* our geogrids, mats, drainage geocomposites, membranes and textiles are made from synthetic fibers and other components (such as steel) for construction engineering uses from soil reinforcement and erosion protection to landfill membranes and drainage;
- *Rockfall protection and snow net structures:* our light-weight and flexible structures are designed to protect assets and infrastructure from hydro-geotechnical hazards such as debris flows, rockfalls and avalanches; and
- *Other products and services:* we offer a range of products and services to address our clients' specific project needs, including *tunneling & flooring*, *vertical concrete retaining walls*, *engineering services* and *wire*.

See "*Business—Products*" for more information regarding the Group's products and activities.

Our products and solutions are used in environmental engineering, construction markets, infrastructure development and industrial applications in almost all the countries where we operate. We believe the end markets which we serve benefit from secular trends: growing urbanization and infrastructure requirements, especially in emerging markets, increasing environmental engineering needs driven by climate changes and emergencies and certain industrial applications such as aquaculture, agriculture and mining among others.

Macro-economic cycles in major global geographic markets have not been highly correlated and we believe that industry participants who are active in several geographic markets have benefited and will continue to benefit from offsetting effects, to a certain degree.

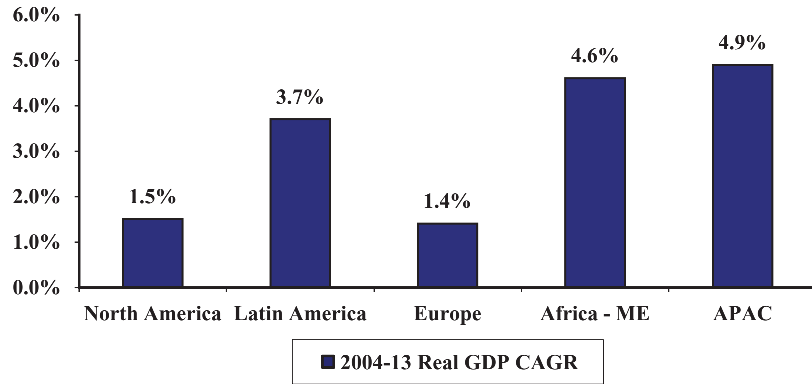
Key Market Drivers

Our market key drivers are (i) GDP growth, (ii) infrastructure spending, (iii) urbanization trends and (iv) environmental spending, climate change mitigation and emergencies. However, the impact of these key drivers varies between emerging and mature markets. For example, environmental spending, climate change mitigation and emergencies are particularly strong drivers in mature markets. On the other hand, GDP growth, infrastructure spending and urbanization trends are important drivers in mature markets, but they have a greater effect on our results in emerging markets. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations*".

Global Economic Development

Over the last decade, global GDP has grown at a compound annual growth rate of 2.8% (Real GDP growth from 2004 to 2013). According to Global Insight the majority of the growth has been fueled by emerging markets which have grown at a compound annual growth rate of 6.0% as opposed to 1.3% for mature economies. According to IMF, although activity in the emerging markets has softened in the last few quarters, they continue to contribute more than two-thirds of global growth. Their output growth is expected to be lifted by stronger exports to advanced economies.

We believe GDP growth is a key driver for some of the key end markets we serve in all our countries of operations.

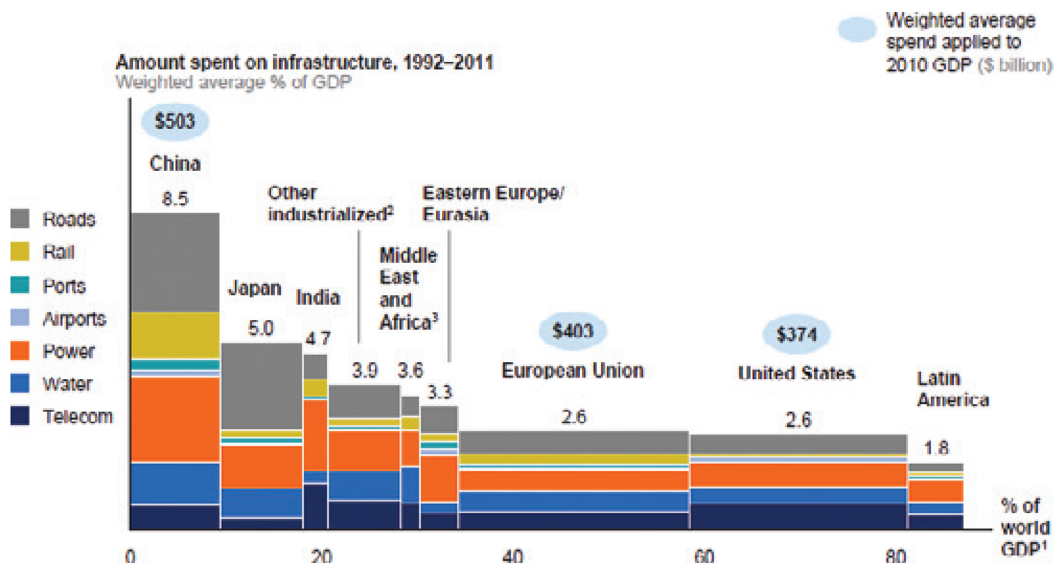


Source: Global Insight's World Overview (March 2014)

Infrastructure

Infrastructure—the structure or underlying foundation on which the continued growth of a community depends—is critical for countries in all stages of development. Across the globe, infrastructure is key for prosperity and economic confidence. Well-planned and well-executed investments offer developing economies the hope of basic facilities for all and a chance to compete in a global marketplace. In developed economies, superior and well-maintained infrastructure attracts the best talent as well as dynamic businesses seeking reliable connectivity and a high quality of life for workers.

With growing populations, new infrastructure requirements for the future continue to remain a high priority for several emerging market economies. Many mature countries, including U.S. and those in Europe, are also focused on repair and refurbishment of existing infrastructure.



Source: IHS Global Insight, GWI, IEA, ITF, McKinsey Global Institute analysis.

(1) Percentage of 2010 world GDP generated by the 86 countries used in this analysis.

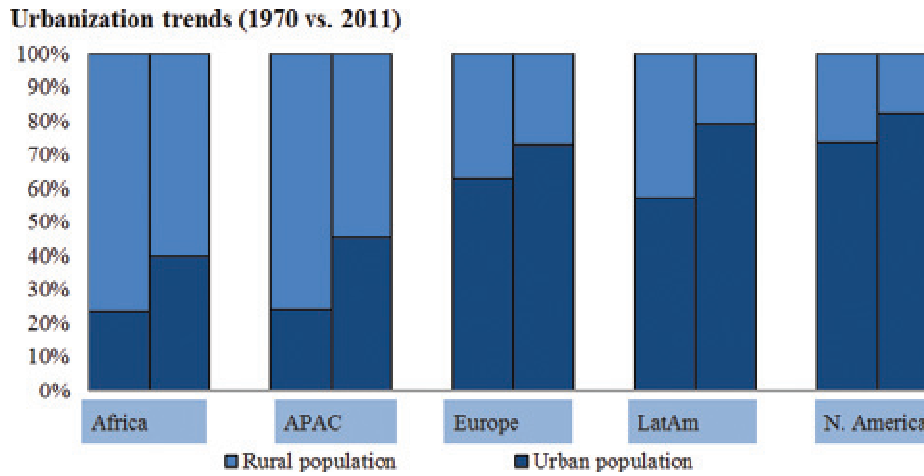
(2) Australia, Canada, Croatia, Iceland, Lichtenstein, New Zealand, Norway, Singapore, South Korea, Switzerland, Taiwan (Chinese Taipei) and the United Arab Emirates.

(3) Excludes unusually high port and rail data for Nigeria; including these data brings the total weighted average to 5.7%.

Urbanization

United Nations believes, more than one half of the world population currently lives in urban areas, and virtually all countries of the world are becoming increasingly urbanized. This is a global phenomenon that has

nonetheless very different expressions across regions and development levels: richer countries and those of Latin America and the Caribbean have already a large proportion of their population residing in urban areas, whereas Africa and Asia are still mostly rural. These trends are changing the landscape of human settlement, with significant infrastructural requirements and investments.



Source: United Nations Department of Economic and Social Affairs / Population Division

Climate Change and Environmental Engineering

Average global temperature has increased by 0.85°C over the last 132 years, according to the Intergovernmental Panel on Climate Change. This has resulted in heightened rainfall and more frequent and intense weather events, such as flooding, droughts and heat waves. Adaptation to climate change should start with the adoption of measures that tackle the weather risks that countries already face, e.g. more investment in water storage in drought-prone basins or protection against storms and flooding in coastal zones and/or urban areas. In general, major coastal cities and ports around the world are reconsidering how to deal with their susceptibility to storm water surge and runoff, protecting property values where possible.

To achieve the temperature goal of limiting the rise of average global temperature by below 2°C, the International Energy Agency projects that incremental investment in the energy sector alone will need to reach $36 trillion over the period of 2012-2050 – or approximately $1 trillion each year.

The Landscape of Climate Finance 2012 estimates that annual global climate finance flows reached approximately $343-385 billion, on average $364 billion, between 2010 and 2011. This figure represents an increase from one year ago, but still falls short of the investment required to limit global temperature rise to below 2°C.

The private sector contributed the majority of finance ($217-243 billion), mostly from developed country actors. The public sector ($16-23 billion) acted as a catalyst for private finance as well as providing bilateral aid to other developing countries. Public and private intermediaries, especially national development banks and commercial banks, played an important role raising and channeling global climate finance ($110-120 billion). Public sources ranged at least between $16-23 billion, or 5-6%, of the total amount. A large proportion of this amount reflects domestic government support to renewable energy projects and related infrastructure, as engines of economic growth.

Relevant Industrial Applications

Additionally, our products and solutions cater to a wide range of industrial applications, including but not limited to agriculture, aquaculture, mining and oil and gas. Our products and solutions are not end-market specific. Although the majority are supplied into traditional civil and construction engineering applications, geotechnical or technical problems can exist in numerous industrial sectors, that can be overcome with our systems, regardless of the market sector. In recent years, this cross-selling approach has opened opportunities to us within different market sectors; for example we are finding hitherto largely untapped opportunities within onshore oil and gas projects that require geotechnical/hydrogeotechnical solutions. The degree of our penetration into these newer markets varies depending on geography.

The broad agriculture industry has been relatively stable over the past decade, representing on average 3.2% of global GDP, according to the World Bank, with agricultural land as a percentage of land area globally at a stable level of about 38%, according to the FAO. While we are not directly involved in agriculture, our products are used in soil reinforcement and restructuring projects to be able to better support agriculture. Our products are also essential and innovative in the aquaculture industry, which has been growing at an average rate of about 9% per year for the past thirty years, according to the FAO. We believe the agriculture and aquaculture industries will continue to remain stable with growing global population.

Although the mining and oil and gas industries have historically been relatively more cyclical than certain other end markets, we believe that in the long term, global energy requirements are high and will continue to drive investments in these end markets.

BUSINESS

Overview

We are a global leader in the design, manufacture and provision of engineered products and solutions that are used in a broad array of end markets, including environmental protection, civil and urban infrastructure, hydraulic and coastal works and certain other industrial applications, such as, mining, oil and gas, agriculture and aquaculture among others. Within these markets our products are used for critical applications including: retaining walls, reinforced soils, road stabilization and support, tunneling, erosion and coastal protection, river training works, hydraulic structures, natural hazard mitigation, drainage and landfills, among others. Our leadership position in key solutions is underpinned by engineering expertise acquired over 135 years of industry experience.

We operate an integrated business model (design, manufacture, supply and after-sale support) through a network of over 60 companies and 31 production facilities strategically located in key markets, and a presence in more than 100 countries across five continents. In order to support the sale of our individual products, and strengthen our market position, a key part of our business model is to offer integrated solutions to the engineering issues faced by our clients, incorporating multiple products and solutions and providing advice and support in design, installation and maintenance.

We broadly classify our versatile products into four categories:

- *Double twist mesh:* our "*Gabions,*" "*Reno Mattresses*" and other products are steel-wire mesh baskets filled with rock, sand or other materials to form flexible, durable and permeable building blocks from which a broad range of structures can be built to prevent soil erosion, support unstable ground and strengthen soils within excavation and land-design works in mining, construction and other civil engineering projects;
- *Geosynthetics:* our geogrids, mats, drainage geocomposites, geomembranes and textiles are made from synthetic fibers and other components (such as steel) for construction engineering uses from soil reinforcement and erosion protection to landfill membranes and drainage;
- *Rockfall protection and snow net structures:* our light-weight and flexible structures are designed to protect assets and infrastructure from hydro-geotechnical hazards such as debris flows, rockfalls and avalanches; and
- *Other products and services:* we offer a range of products and services to address our clients' specific project needs, including *tunneling & flooring*, *vertical concrete retaining walls*, *engineering support services* and *wire manufacturing*.

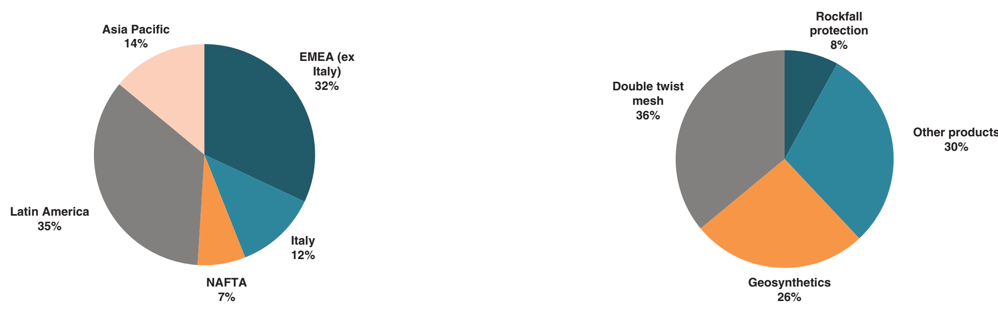
We believe we are the undisputed leader in the double twist mesh market, with approximately 50% market share worldwide. In addition, we believe we are among the top five players in the geotechnical segment of the non-commodity geosynthetics market (with approximately 20% market share) and the second largest player in the rockfall protection and snow net structures (i.e., natural hazard mitigation) market (with approximately 30% market share).

Our expertise in each of our product areas allows us to offer clients integrated, engineered solutions, combining a range of products and technical expertise and know-how to address each client's specific requirements. Our vertically integrated business model covers the full value chain, allowing us to offer bespoke solutions to our clients through our involvement in each step of the process: (i) we design and engineer the ideal solution for the end user foreseeing the utilization of our products; (ii) we manufacture our products in our own facilities around the world; (iii) we deliver our products to our clients' project sites (with transportation costs typically passed through to clients); and (iv) we can supervise installation and provide expert technical assistance through our local teams on the ground when our clients require it. Our comprehensive product offering and global infrastructure, along with our extensive relationships with customers and end-users, provide us with access to attractive markets worldwide, visibility into upcoming projects and the flexibility to serve customers regardless of geographic location. Furthermore, our extensive geographical footprint allows us to respond quickly and efficiently to new orders, which serves as a key competitive advantage relative to our peers.

We are active both in mature markets, like Western Europe and the United States, and emerging markets like Latin America, Russia, the Middle East, Africa, China and countries throughout Southeast Asia. In addition to our geographic diversification, we have a broad client base diversified across products and geographies with limited client concentration. For the year ended December 31, 2013, and based on total revenue generated, our

top 20 clients accounted for only 14% of our revenue from sales and services (compared to 14% and 11% for the years ended December 31, 2012 and 2011, respectively), our top 100 clients accounted for only 30% of our revenue from sales and services (compared to 29% and 27% for the years ended December 31, 2012 and 2011, respectively) and no single client generated more than 3% of our revenue from sales and services (compared to 2% and 1% for the years ended December 31, 2012 mad 2011, respectively). Our typical clients are general contractor companies (engineering, procurement and contractor companies or "**EPCs**"), and the end-users of our products are typically public sector bodies. Our client list includes large-scale EPCs such as Astaldi in Italy, ETA Star in the United Arab Emirates, Odebrecht in Brazil, Penta-Ocean in Japan and Bechtel in the U.S. Public sector end-users represented the vast majority of our revenue for the year ended December 31, 2013. End-users for our products also include private-sector entities—including developers, utilities companies, mining companies and oil and gas companies.

For the twelve months ended March 31, 2014, we generated total revenue of €489.3 million and Adjusted EBITDA of €52.6 million. For the year ended December 31, 2013 we generated total revenue of €485.9 million. The charts below show our revenue from sales and services by geographic region and by product category for the year ended December 31, 2013:



History

Officine Maccaferri is, by revenue, the largest company in the SECI Group (S.E.C.I. S.p.A.). The SECI Group is a diversified conglomerate active in food and agribusiness, energy, tobacco, mechanical engineering, biotech and real estate. The Maccaferri family founded our company near Bologna, Italy in 1879 and has remained our controlling shareholder for over 130 years, through its shareholdings in the SECI Group. Today, through a combination of organic growth and successful integration of small bolt-on acquisitions, we now have a presence in more than 100 countries on five continents, with 31 production facilities and 2,937 full-time employees (as of December 31, 2013).

In 1879, the first gabions were used to stop landslides in the towns near where our global headquarters are still located. In the following years, the use of gabions and the size of projects in which they were used increased, and in 1893, a significant project to repair a breach in the weir in Casalecchio di Reno was installed. Over the past 135 years, our products and manufacturing processes have improved, and are still used today in some of the largest infrastructure projects in the world.

In addition to the initial cube-shaped gabion used primarily for retaining structures, we introduced the Reno Mattress®, which is particularly adept at stabilizing river and channel banks, providing erosion protection and constructing weirs, and PVC-coated galvanized wire. We quickly developed an expertise in their production, design and implementation that has become one of our foremost strengths, and has made us a global leader in the market.

The most recent phase of our history has been marked by growth aimed at expanding our business internationally and diversifying our product offerings, including by entering into the geosynthetic market through the purchase of Linear Composites Limited in 2006 and the rockfall and snow net market in the late 2000s. We have achieved this expansion, in part, through research and development of new products and organic growth into new markets. We also recognized the benefits of expanding into emerging markets where governments have invested significantly in infrastructure development and are likely to continue to do so in the future. We have expanded into emerging markets both by opening new offices in those markets as well as through targeted acquisitions of other, established companies in those markets that have enabled us to expand our product offerings and areas of expertise without straying from our core market strengths.

Our Strengths

We believe we have the following competitive strengths:

Our leadership position in key solutions is driven by engineering expertise acquired over 135 years of industry experience, a broad array of complementary products, research and development capacity and key client relationships.

We have been in the environmental engineering business for over 135 years. During that time, the Company has increased the range of its products and the variety of its solutions. Our expertise and product range have been driving factors in our financial growth over the past 135 years; total revenue has increased from €317.5 million for the year ended December 31, 2009 to €485.9 million for the year ended December 31, 2013.

The primary driver of our growth, throughout our storied history is the versatility of our innovative technologies that enable us to offer the wide-range of integrated solutions that we offer today, which we believe are significantly more advanced than those of our peers due to our research and development and engineering expertise. At December 31, 2013, we had 411 full-time engineers, 20 of which are dedicated, full-time, to research and development projects. We also have a total of five facilities in each of Italy, Brazil, Malaysia the United Kingdom and the U.S. specializing in research and development. We invented the modern gabion at the end of the 1800s, and since then have grown and consolidated our position as the leader in the double twist mesh products sector, with approximately 50% market share for the year ended December 31, 2013. Starting in the 1990s and the 2000s, we also expanded our business into complementary sectors, including geosynthetics and rockfall protection. For the year ended December 31, 2013, our management estimates that we had approximately 20% of the market share in the geotechnical segment of the non-commodity geosynthetics market and 30% of the rockfall protection and snow net structures market. We are a key player in our other product categories as well. These strong market positions and our focus on integrated product solutions has allowed us to grow consistently over the years, with a CAGR of 13.3% since 2004.

In addition, our technical and commercial teams on the ground have strong relationships with municipalities, government advisors and key corporate clients, enabling us to present our solutions directly to customers and many end-users. Through our technical/commercial teams we are often able to propose integrated engineering solutions to our clients at the design and/or tender phase of the process, allowing our clients to better understand the results they will achieve with our solutions and which we believe places our group in the leading position to be selected as the provider for such final projects. Research and development is a crucial element to maintaining this advantage because it ensures that we develop our product offerings and brands and expand our expertise.

We are diversified by product and geography, well-positioned to take advantage of growing markets and have very limited client concentration.

Although we remain the market leader in our historical focus of double twist mesh products, more than half of our revenue now comes from geosynthetics, rockfall protection and snow net structures and our other products and services. Moreover, our product offerings are complementary, so in addition to providing diversification, our suite of engineering solutions provides us with cross-selling opportunities and the advantage inherent in being able to offer clients an integrated solution to their engineering challenges.

In addition to diversification by product, we are present in over 100 countries, including key emerging markets, like Brazil and Russia, which accounted for 19% and 5%, respectively, of our revenue from sales and services for the year ended December 31, 2013. Moreover, Latin America collectively accounted for 35% of our consolidated revenue from sales and services in 2013. We believe our business will be driven in these emerging markets by new infrastructure development, urbanization and industrial growth. Our extensive footprint in emerging markets leaves us well-positioned to take advantage of these opportunities. In addition, in mature markets, we believe that requirements of continued maintenance and enhancement of existing infrastructure will drive and support our business. We believe our geographic diversification provides a natural hedge against localized downturns, while our local presence in jurisdictions around the world allows us: (i) to seize event driven opportunities as they arise (for example, in emergency flood protection and mitigation), (ii) to leverage our global expertise at the local level, providing superior results and (iii) to provide a faster and more cost-efficient service to our clients (including through our local manufacturing, which reduces delivery costs and times and limits import duties).

Finally, in addition to our product and geographic diversification, we have a broad client base diversified across products and geographies with very limited client concentration. For the year ended December 31, 2013, and based on revenue generated, our top 20 clients accounted for only 14% of our revenue and our top 100 clients accounted for only 30% of our revenue and no single client generated more than 3% of our revenue. Our typical clients are EPCs and the end-users of our products are typically public sector bodies. Public sector end-users represented the vast majority of our revenue for the year ended December 31, 2013. We also sell our products for private sector entities—mainly mining and oil and gas companies.

Our vertically integrated business model affords us control over the entire process of manufacturing and providing products and services to our clients and, therefore, allows us to tailor the products and solutions to meet their specific needs.

Our strength in each of our product areas allows us to offer clients integrated, engineered solutions, combining a range of products and technical expertise to address each client's specific requirements. We believe our vertically integrated business model covers the full value chain, allowing us to offer bespoke environmental engineering solutions to our clients through our involvement in each step of the process, from engineering and design, to manufacturing, to procurement and supply and finally to technical assistance and installation support. Rather than simply selling a product, our engineering expertise allows us to offer a complete, integrated solution, setting us apart from many competitors. We have broad experience on projects of all sizes and, with factories in 22 countries and offices in over 50, clients are never far from our engineers and technical support. This adds significant value for our clients, as our close proximity allows us to respond quickly and efficiently to new orders. We believe we have the capacity to service major infrastructure projects, yet the local knowledge to assist on smaller community projects. Throughout our key product categories, we believe our integrated approach allows us to provide unique services and solutions to our clients.

We have a very well-invested asset base, allowing us to meet client demand and requiring limited maintenance capital expenditures.

We have an extensive local industrial footprint covering five continents with 31 production facilities, more than 60 local subsidiary companies and marketing and sales representatives with strong client relationships servicing over 100 countries. This extensive network allows us to respond rapidly to the needs of customers and deliver solutions on-site and in short order. This quick response is a key strength in the event driven part of our business (e.g. flooding, rockfall). In order to increase the proximity to our clients, we have pursued considerable investments in state-of-the-art manufacturing facilities. Beyond expanding our presence, these facilities enable us to achieve high productivity through the use of flexible and modern automated manufacturing processes. In particular, we have established 3 new plants on average each year since 2010 in 10 different markets in an effort to increase our market penetration within the countries where we operate. Our local presence also avoids import duties imposed upon competitor products that are produced externally and imported

Through these recent facility investments, we have considerably increased our production capacity, which now is able to support our business plan as well as local peaks related to event-driven orders. Likewise, all our production lines have been refurbished to the highest standards to support the future industry cycle and related future growth. We believe there is significant value in our real estate portfolio as we own most of our land and buildings mortgage-free. Finally, after the completion of our expansion investment cycle, we believe that our well-invested manufacturing base will require limited maintenance expenditures.

We have demonstrated strong top-line and EBITDA growth over the past five years, resilient profitability and free cash flow generation.

As a result of our integrated and diversified business model, we have maintained positive and stable EBITDA despite challenging macroeconomic conditions in recent years. Since 2009, our total revenue and EBITDA have grown at a CAGR of 11.2% and 15.7%, respectively. As a result of the stable growth of our EBITDA, our stable margins and our limited maintenance expenditures (lower than €4.0 million in each of the three years ended December 31, 2013), which was driven by significant acquisition and expansion capital expenditures in previous years.

Strong and experienced management team.

Our senior management team has more than 100 years of collective experience in the industries in which we are active and a successful track record of delivering top-line growth through the economic cycle. Our management has successfully integrated acquired businesses, including Linear Composites in 2006, Italdreni in

2010 and BMD in 2011, while controlling costs and growing the business, despite the 2008-2009 financial crisis. Key results achieved by our management team include a strong focus on the markets we operate in, a high degree of flexibility in capacity to adjust to market demand improvements in the management of capital expenditures and working capital, our international expansion, and improvements to our network of production plants. We believe these achievements have translated into increased recognition of our group, better client service and significant cost savings.

Our Strategy

The following constitute our key business strategies:

Leverage our global presence and recent investments in manufacturing capacity to expand market share and growth in selected emerging markets.

We are focused on continuing to utilize our international presence to improve our penetration of high-growth emerging markets. We have recently completed significant expansion capital expenditures, which has provided us the capacity to capitalize on growing demand. We are particularly focused on pursuing attractive growth opportunities in Asia Pacific, South America, Africa, the Middle East and Eastern Europe. We plan to expand sales and engineering coverage in certain of these regions now that regional production capacity and market opportunities are aligned to address these and other emerging markets. In addition, we seek to continue expanding our market share in key end markets by further developing our product offerings for these markets and continuing to grow relationships with existing and new customers globally. By pursuing these strategies, we believe we can improve our access to high-growth regions and markets, enhance our operational flexibility and continue to target high-value projects globally.

In addition, we plan to judiciously pursue strategic investment opportunities, both organic and acquisitive in nature. Given the fragmented nature of many of our product industries, we believe that there may be opportunities to pursue value-accretive small and disciplined acquisitions at attractive valuations in the future, which may augment our geographic footprint, broaden our product offerings, expand our technological capabilities and capitalize on potential operating synergies.

Increase operational efficiency, cost control and financial flexibility and continue to improve working capital management.

We are committed to maintaining a sound capital structure and a strong liquidity position. We intend to increase our operational efficiency through analysis and optimization of manufacturing costs, corporate overhead costs and an emphasis on margin and working capital control. In particular, we intend to (i) increase our manufacturing efficiency in each business segment by optimizing the utilization of our capacity across geographies and by reducing our footprint in certain areas, primarily EMEA, (ii) lower our inventory and (iii) implement cost efficiency measures throughout our Latin American operations. We also intend to optimize our working capital management through product rationalization, factory specialization and, through the Offering, diversification of our financing sources and financial flexibility.

Continue to develop new end markets and applications for our products through both cross-selling and enlarging our product range.

As industries and regulations continue to develop and change in our end markets, we will continue to respond by cultivating new applications for our products. We believe we are well-positioned to develop new addressable markets because of our position as a leader in many of our product categories, our strong engineering and product development capabilities, our deep relationships with customers and end-users and our experience working with relevant public sector clients. We have also taken steps through our "Key Account" approach to target large cap companies in the mining and oil and gas markets that could benefit from our unique engineering products and solutions. Further, we have undertaken a project to expand our footprint in North America in the key product range of geosynthetics.

We believe we have a clear strategy for ongoing improvement in our results by focusing on both higher-margin products and end markets, as well as continued operational improvement. We anticipate that as our product mix continues to shift towards higher-value proprietary products, our pricing power and profitability will continue to improve. We also expect that we can take advantage of cross-selling opportunities in our markets as

we use our integrated approach to provide solutions to our clients that utilize multiple products we offer. As a result of these efforts, we anticipate having the critical first-mover advantage in important high-growth, high-margin markets.

Maintain market leadership in the double twist mesh market, opportunistically expand our Rockfall protection products and increase our global presence in geosynthetics.

We have been a leader in the double twist mesh market for decades by delivering best-in-class solutions and developing new applications before our competitors. We will continue to leverage our traditional strength in this area to sustain and expand our business. In rockfall protection and snow net structures, we have implemented targeted expansion programs in our key markets to consolidate and grow our leading market position. Finally, geosynthetics will be fundamental to our strategy; we plan on implementing a three-pronged approach in this area: (i) in the United States, we aim to improve market penetration to achieve the critical mass that will require local manufacturing capability in the next 2 to 3 years; (ii) in Europe, we aim to enhance our current portfolio and increase our capacity and capabilities to increase our market share, potentially through a small acquisition and (iii) in the Middle East and Asia, we aim to increase our market penetration, including through bolt-on acquisitions to maintain our momentum in these key markets.

Products

We offer over 60 different product lines, which we generally divide into four categories: (i) double twist mesh; (ii) geosynthetics; (iii) rockfall protection and snow net structures and (iv) other products and services. These products can be offered individually to help customers and end-users meet their needs, but our true strength lies in packaging products together to provide an "integrated solution" to every facet of a customer's engineering challenge.

Double Twist Mesh

Our double twist mesh products are used in retaining structures, erosion protection, slope stabilization and pavement reinforcement. These products have applications in end markets including mining, infrastructure, environmental protection and hydraulic and coastal works. Since first inventing the modern gabion, we have developed an expertise that we believe makes us the market leader in these products. Our double twist products generated €179.8 million of revenue in 2013, representing 37.0% of total revenue for 2013.

Our distinctive double twist mesh is manufactured using high-grade, heavily-galvanized steel wire. If required by the specific end-use of the product, the double twist can then be coated with either PVC or our proprietary, environmentally-friendly PA6 coating to further protect the wire from damage. The double twist mesh can be laid flat to reinforce asphalt or soil, or manufactured into rectangular mesh baskets called gabions and Reno Mattresses® that are filled with rocks or other durable material to create durable, flexible and permeable modular units that are used in retaining walls, bank stabilization, channel linings and weirs. Recently, our double twist mesh products have been used to support a new highway between Rreshen and Kalimash in Albania, and create unique reinforced soil structures for the Pakyong Airport in India (a construction project recognized, on the whole, as the "International Project of the Year" at the Ground Engineering Awards in 2012). Our double twist mesh products include:

- *Gabions*—Rectangular-shaped box units fabricated from a double-twist woven mesh of heavily-galvanized steel wire with an optional polymer coating for increased durability. Gabions are filled with rocks to create large, flexible building blocks used in a broad range of projects including, retaining walls, steep revetment stabilization and erosion protection. Gabions combine drainage and retention functions to make them ideal structures for slope stabilization. Gabion structures have also been used to protect against and mitigate the effects of flooding.
- *Reno Mattresses®*—Identical to gabions in concept, but flatter and rectangular-shaped. Reno Mattresses® are used to protect water-exposed areas from erosion, line river channels, build weirs and engineer or redirect water flow.
- *Terramesh®*—Used to form reinforced soil structures. Terramesh® is a continuous horizontal panel of woven steel-wire mesh with an integral gabion fascia unit. The woven steel wire geogrid panel is sandwiched between layers of compacted backfill, reinforcing it, behind a gabion fascia.
- *Road Mesh®*—Wire mesh asphalt reinforcement that provides lateral restraint and reinforcement to asphalt, preventing reflective cracking, thermal and fatigue cracking, rutting, shoving and settlement on heavily-used roads to extend the fatigue life of asphalt roads and runways.

Geosynthetics

Our geosynthetics are polymeric products manufactured in various forms and used to reinforce soils, protect exposed areas from the erosive effects of rainfall and wind, waterproof reservoirs and provide safe, impermeable barriers and draining systems for landfills and other soil contaminators. These products are applied in end-markets including mining, infrastructure, urban infrastructure, environmental protection and marine and coastal works. We expanded into these product lines starting in the 1990s through research and development activities as well as targeted-acquisitions and, in a relatively short time, we believe we have become a leading provider of non-commodity geosynthetics in a very fragmented market. Geosynthetics generated €124.7 million in revenue in 2013, representing 25.7% of total revenue for 2013.

Our wide array of geosynthetics is manufactured from polyethylene and polypropylene resins and other synthetic materials designed to resist weathering, ultraviolet light degradation and chemical exposure for extended periods of time. Typical geosynthetics include geogrids which are used for soil reinforcement, geomats which are used for erosion protection, drainage geocomposites which are used to remove water/fluids or geomembranes, which are used in waterproofing and capping projects. The physical characteristics of a geosynthetic product (e.g., strength, thickness, drainage capacity) are selected to suit the specific geotechnical problem. Recently, our ultra-high strength geogrids were used in Belfast Harbour to stabilize the ground supporting a working area for offshore wind turbine assembly, construct an artificial island in Florida to protect Ft. Pierce Marina from future damage after it was destroyed by Hurricane Frances in 2013 and stabilize slopes on farmland in Puerto Rico to permit construction of the island's first solar farm without hindering vegetation of the slopes. Our geosynthetic products include:

- *MacGrid®/Paragrid®/Paralink®*—Soil reinforcement geogrids that improve the physical characteristics of the soil, enabling it to accommodate greater loads and stand at steeper angles. These products are laid horizontally within compacted soil, reinforcing it. They maximize the opportunity to use on-site materials during construction and avoid the cost and environmental impact of importing backfill.
- *MacMat*®™—A 3-D matrix of extruded polymer mono-filaments designed to retain soil and prevent run-off from vulnerable slopes and water channels. These products are used for long-term root reinforcement, erosion control and re-vegetation of slopes.
- *MacTubes*®—Permeable tubes used to dewater industrial, contaminated or dredged sludges and slurries. The sludges and slurries are pumped into the MacTubes®; the fluid then drains out as the MacTubes® filter out the slurry, containing it. Once the slurry has dried, it can be disposed of more safely and cost-effectively than if it were wet.
- *MacDrain*®—A range of drainage geocomposites that eliminate excess or uncontrolled water that can build up behind structures and weaken them. MacDrain® geocomposites provide a conduit for water flow away from the adjacent soils and are superior to traditional gravel drainage—they are more reliable, their performance does not deteriorate over time, take up less space, can be installed faster and offer quantifiable performance.
- *MacLine*®—Geomembranes used to create waterproof barrier systems. MacLine® geomembranes are used to line and cap landfills, mining leachate lagoons, heap leach pads and agricultural and industrial waste storage areas to prevent seepage and contamination. They can also be used to line and waterproof man-made reservoirs, lakes and channels.
- *MacTex*®—A range of geotextiles used for protection, filtration and separation applications within the construction industry, for example as a thick and puncture resistant layer used in conjunction with the MacLine® products within landfills.
- *Sarmac*®—Flexible steel wire mesh mattresses, lined with a MacTex® geotextile and filled with a bitumen/sand mix to form a robust yet malleable bituminous mattress used to ballast underwater oil and gas pipelines and cushion pipes at pipe junctions. Sarmac® remains flexible even in cold water, has a soft, deformable surface which limits abrasion damage to pipes, provides protection from vessel anchor damage and provides support over uneven or soft ground areas.

Rockfall Protection and Snow Net Structures

Our rockfall protection and snow net structures are light-weight, high-performance flexible wire mesh catch fences, barriers, and soil nailing systems that are installed to protect assets, roads and people from rockfalls, avalanches, debris flows or other hydro-geotechnical hazards. They are applied in end-markets that include mining, civil infrastructure and urban infrastructure. Our management believes that our expertise in this field has led us to become one of the leading rockfall product manufacturers in the market. Rockfall protection and snow net structures generated €36.6 million in revenue in 2013, representing 7.6% of total revenue for 2013.

Our rockfall and snow net structures are manufactured using the same galvanized and coated steel wire used in our double twist products. Some of our netting is provided to us by a third party and then marketed and resold using the Maccaferri name. To provide rockfall and snow net products tailored to the needs of our clients, we have developed a proprietary design software that our engineers use to select the appropriate combination of solutions given the conditions where the products will be installed. Recently, our rockfall protection and snow net products were used in South Africa to secure the slope of one of the largest diamond mines in the world and in Spain to install a catch fence to protect vehicles using a motorway in a mountainous area. Our rockfall protection and snow net structure product lines include:

- *Steelgrid® HR*—A patented drapery system that combines double twisted wire and high tensile steel cables in one product. Steelgrid® mesh products conform to the rock slopes over which they are draped, are easily deployed and will not unravel in the event that some wires accidentally break through damage in-use.
- *Rockfall Catch Fences*—Dynamic fences installed on rock and slope faces where the topography makes a drapery system impractical. These fences catch and contain falling rocks from impacting assets, infrastructure and people. The fences progressively deflect to absorb the impact energy. Our catch fences feature a patented compression energy absorption device that is easily inspected and does not become clogged by grit or corrosion.
- *MacMat®*—Used at the surface of an earth slope by itself, or as part of soil nailing systems. Soil reinforcement bars or tendons are inserted into the soil and the MacMat® is laid on the surface to provide stability between the soil nails/anchors, while vegetation becomes established and improve soil stability and erosion protection.
- *Snow Fences and Barriers*—Designed to stabilize the layers of snow at the initiation point of an avalanche. The snow nets absorb forces from the snow pack and transmit them to the ground through a system of fence posts and anchors.
- *Attenuator Barriers*—Flexible rockfall protection barriers in which, the fence mesh is longer and drapes down the slope, rather than being secured to a lower support cable as with our traditional barrier. As opposed to catching and restraining falling rocks and debris as with a traditional barrier, Attenuator Barriers progressively slow a falling rock and redirect it to a “catch zone.” These products are designed to withstand multiple rockfall events with minimal maintenance, if any.

Other Products and Services

Our other products and services include tunneling solutions, vertical concrete retaining walls, project-specific construction and engineering services and wire and other products. This broad-range of products and services are applied in all of our end markets and generated €144.8 million in revenue in 2013, representing 29.8% of total revenue for 2013.

These products are manufactured using steel, concrete and geosynthetic components. Oftentimes, the products themselves have to be assembled and installed on site, which allows us to provide our market-differentiating installation/consulting services and expert technical assistance. Recently, our products from our other products line were used to line a newly excavated tunnel of the Barcelona Metro where our steel fibers were used to reduce the amount of traditional steel reinforcement used within the concrete tunnel segments, consolidate and reinforce the new tunnel excavation on the Sochi Ring Road as part of the infrastructure projects for the 2014 Winter Olympics and as part of the MOSE project to protect Venice from destructive and disruptive flooding. Our other products and services include:

- *P.E.R. Ground™*—A sheath that surrounds the reinforcement bars used to anchor tunnel walls and excavated faces. The P.E.R. Ground™ system contains the injected mortars/grouts, which compact the surrounding soil, improving anchor performance, preventing grout loss and washout in the tunnel walls.
- *Groutmaster™*—A multi-function, high-performance grout that can be used when tunneling through poor soils to reduce permeability, control settlements and improve the cohesion of granular soils. Groutmaster™ is also used in compensation grouting and void filling.
- *B. Zero Tondo™*—Unique steel-arch ribs that are used to support the tunnel excavation before lining. The steel arches are tubular and filled with pumped concrete on site. Because B. Zero Tondo™ arches offer greater structural efficiency than traditional steel arches fewer are needed in tunnel construction, which reduces costs and installation time.

- *Wirand*®—Steel fibers added to the concrete mix, either for use in shotcrete, or in precast elements to improve the ductility and performance of concrete. Wirand® allows for the reduction, or complete elimination of traditional steel reinforcement because it is more efficient. This also means that lining thickness may be reduced, which reduces costs.
- *FibroMac*™—Polymer fibers added to the final tunnel concrete lining that increase fire resistance.
- *MacRes*®—A reinforced soil system with a vertical concrete outer fascia. MacRes® is used where a retaining wall or reinforced structure is necessary, but a reinforced slope is not possible because of space constraints such as in urban areas or in mines. The system features polymeric or galvanized steel straps placed horizontally in the compacted soil, reinforcing it and attached to the concrete fascia panel.
- *MacWall*®—Modular, flexible, concrete block retaining wall system that features soil reinforcement geogrids used in combination with concrete fascia block offering a different aesthetic that some customers prefer to gabions.

End Markets and Applications

Our broad array of products is used in a variety of end markets and applications. End markets for our products include civil infrastructure, urban infrastructure, environmental protection, hydraulic and coastal works, mining and oil and gas. Our products are often combined and used together in these end markets. Additionally, our team of engineers often guides our customers through the best ways to solve their problems and the proper installation and use of our products. Our vertically integrated model is characterized by our range of products and our involvement (if required) from start to finish, in helping our clients address their issues and implement our solutions.

Civil infrastructure

Our civil infrastructure end-market users are predominately public entities which employ a team to implement a project including designers and contractors, and we offer and sell our products and solutions to this project team. Worldwide, civil infrastructure investments are expected to total approximately $45 trillion over the next 17 years, with much of that spending coming out of emerging markets. For example, projections have Brazil's GDP growing at a rate of 4% through 2015. This growth is driven primarily by the increase in total infrastructure spending over that same period to build the infrastructure necessary for marquee projects like the 2014 World Cup and the 2016 Summer Olympics. Sales by our Brazilian subsidiaries accounted for 18% of our EBITDA in 2013, and we believe we are well-positioned to continue to be a leader in that market. These same trends are true in markets like China and Russia, where we believe GDP and population growth will drive large infrastructure projects (our operations in those two countries accounted for 3% and 8% of our EBITDA in 2013, respectively). See "*Industry*". We believe our presence in these and other emerging markets will enable us to take advantage of fast-paced, increasing infrastructure spending in these markets, and will result in our growth being generally tied to the overall growth of the world GDP. Some ways our products are used in the infrastructure end-market include:

- Double twist steel mesh and geosynthetics are used in infrastructure road projects to strengthen the underlying compacted soil and reinforce the upper layers of asphalt. Reinforcing the soil and asphalt avoids premature cracking and rutting of roads and enables it to withstand heavy and extensive use. In instances where an infrastructure project is exposed to water, such as a bridge or a road built along a body of water, gabions and Reno Mattresses® can be used to prevent the erosion of the soil vital to the structure's integrity.
- Soil reinforcement structures and double twist products are used to build retaining walls and strengthen embankments that are necessary when constructing elevated roads and runways that must withstand heavy loads and constant use. Without adequate support, these roads and runways would be unable to withstand the outward force exerted by the earth and vehicles using them and would collapse, or settle unacceptably, preventing safe use.
- Geosynthetic and double twist mesh products are also used in the post-construction phase to protect roads and other infrastructure systems from flooding, erosion and structural weakening due to over-exposure to water, or simple wear and tear. Gabions and Reno Mattresses® can be quickly deployed to protect a roadway from flooding and other damage. Geosynthetic products can be installed to remove excess water and control water flow on and around infrastructure projects.
- Rockfall protection and snow net products are installed as part of infrastructure projects to protect people and assets from falling rocks and avalanches.

Urban Infrastructure

We view the urban infrastructure end market as distinct from other civil infrastructure because crowded urban environments present a set of problems that can be more challenging than those posed by projects in rural or suburban areas. In the next 35 years, the urban population is expected to grow by 40% to 5 billion world-wide. This urbanization trend is predicted to occur everywhere, but will be greatest in emerging markets. Just like in the civil infrastructure end-market, we believe we are well-positioned to benefit from urban infrastructure projects in both emerging and mature markets due to our local presence and best-in-class products and expertise. In addition to the applications mentioned in the discussion of civil infrastructure (most of which have similar applications in urban environments), some unique applications of our products within urban projects include:

- Soil reinforcement geogrids and complimentary products are used to build vertical retaining walls in space-constrained urban areas where reinforced slopes or gabion terraced retaining walls are impractical. They can also be used to build sound barriers to reduce noise pollution from highways and rail lines in heavily-populated urban areas.
- Geosynthetic products are used to provide drainage systems that prevent water build-up behind and at the base of walls that can overload and weaken them.
- Tunneling products are used to construct metro systems, utility conduits and other underground structures.

Environmental Protection

Environmental protection end market customers include private customers seeking to comply with environmental regulations and avoid penalties and civil liabilities, and clean-up firms and public entities undertaking environmental improvement and protection projects. In emerging markets, we aim to benefit from new and increased regulations targeted at mitigating the environmental consequences of rapid growth and modernization. In mature markets, we believe that increased regulation intended to combat climate change will create more demand for our products. For example, in the next six years, up to €180 billion of the European Union budget will be spent on climate-related projects—some of which require the products we sell. Some uses of our products in this end market include:

- Geosynthetics are used as liners to prevent landfill leachates and runoff from entering the surrounding environment and as capping systems to prevent the escape of greenhouse gases, to control odors and to limit rainwater infiltration.
- Double twist, geosynthetic and vertical reinforcement products are used to reinforce soils in landfills allowing for steeper slopes and maximizing the volume available for waste disposal.

Hydraulic and Coastal Works

Hydraulic and coastal works end market customers are a mix of public entities who need our products to combat environmental forces and preserve and protect coastal areas and private end market customers who need our products to protect their investments. This is another end market that we believe will see increased demand from the effects of global warming, and the consequent regulations intended to combat those effects. Some ways that our products are used in this end market include:

- Double twist mesh products are implemented in river training projects that create water supply systems and irrigation channels. They are also used in pipeline protection projects.
- Geosynthetics are used in coastal protection works intended to mitigate the effects of storms and tide surges.
- Geosynthetics are also used to line and waterproof manmade lakes and reservoirs.

Mining

Mining end market customers are private companies who purchase our products to operate their mines, comply with environmental regulations, avoid environmental liability from their mining activities and construct mines that are both efficient and safe workplaces. Some ways that our products are used in the mining end-market include:

- Geosynthetics are used in mining processes to prevent soil and groundwater contamination. The same products are also used as containment and protection solutions for tailing ponds to make them environmentally safe after closure, since the storage and disposal facilities for tailings are often the most important environmental liability for a mining project.

- Double twist, rockfall, tunneling and soil reinforcement products are used in the construction and maintenance of mine infrastructure. They are used to build and maintain crusher tip walls, access roads, ramps, tunnels and haul roads and mitigate the risk of rockfall damage to equipment and injury to workers. They permit construction of mine infrastructure over soft soils and voids. In addition, double twist, rockfall and soil reinforcement products are used in retaining walls and netting systems that allow open-pit mines to be dug out at steeper angles and, therefore, disrupt less of the environment or enable the extraction of more minerals. Soil nailing, rock netting and tunneling products are used in underground mines to make them safer and stronger.

Key Project Involvement

The table below presents some of the most significant projects we were involved in over the last several years.

Project	Description/Solutions Used	Location	Completion Date
Pakyong Airport	***Double twist mesh:*** 1.7 km long corridor was required for the runway and the mountainous topography meant traditional retaining structures would have been prohibitively large; Terramesh® geogrids used to support the new runway; recognized, on the whole, as the "International Project of the Year" at the Ground Engineering Awards in 2012.	India	2012
Rrëshen to Kalimash Highway	***Double twist mesh:*** New 103 km highway in mountainous terrain. 30 reinforced soil structures over 30 meter high, reusing site-won fill, saving cost and environmental impact.	Albania	2011
New York Metropolitan Transportation Authority retaining wall	***Double twist mesh***: Used Terramesh® geogrids to support and reinforce an exposed footing of an newly constructed concrete wall with little disruption to existing slope and a fast installation the minimized traffic disturbance in a densely populated area.	New York, USA	2008
Belfast Harbor	***Geosynthetics:*** Ultra-high strength geogrids used to stabilize the ground supporting a working area for offshore wind turbine assembly.	Northern Ireland	2012
Jwaneng (De Beers)	***Rockfall protection:*** Secured slope showing instability at one of the largest diamond mines in the world without halting activity; an original solution was developed to control the path of debris as rockfalls occur by guiding detached rocks to a safe space.	Botswana	2011
Salar of Uyuni	***Geosynthetics:*** Protection of a membrane within a salt mine to prevent ground contamination during the leachate/evaporation process; one of the largest geosynthetic supplies in the world.	Bolivia	2013
Sochi Ring Road	***Other products and services:*** An innovative full-face tunnel excavation approach was facilitated using fiberglass anchors and grouting techniques. Enabled rapid and safe progress through a seismic area being prepared for the Winter Olympic Games.	Russia	2011, 2014
MOSE, Venice	***Other products and services:*** A novel Ballasted Filter Mattress developed and deployed to limit scour around the flood gates used to protect Venice from tidal surges.	Italy	2006-2012

Manufacturing Operations and Quality Control

Our manufacturing operations are in the process of becoming centrally managed and coordinated. As this structure has been implemented, we have noted an ability to improve performance through a common set of metrics and the sharing of best practices across our global infrastructure. Centralized engineering instruction and product specifications create a network of international facilities that can manufacture our products to our exacting specifications. Additionally, global customer inquiries are evaluated using a sourcing model that develops delivered cost from various manufacturing locations to allow us to serve global demand optimally.

The main industrial procedures for manufacturing some of our products include:

- Double twist mesh—We either produce the steel wire from steel rod or purchase the wire already made and then apply any applicable plastic coatings, weaved into the distinctive double-mesh shape and subsequently rolled or transformed into the necessary shapes and sizes.
- Geogrids—We purchase polymeric yarns that we weave and weld into our products and then coat in synthetic material.
- Geomats—We purchase polymers which we extrude into filaments and then mold and cool to create tridimensional products.

Our global manufacturing quality assurance program, which is coordinated from our Bologna headquarters, establishes rigorous quality control standards for the manufacture of our products. Quality assurance facilities at each manufacturing facility oversee all quality control initiatives. All raw materials are subject to tests that must comply with our specifications before entering the manufacturing process. Finished products are also tested by our quality assurance personnel. We catalog retained samples for future reference in the event the integrity of a product in the field is ever questioned.

Customers

We served more than 35,600 customers worldwide between 2011 and 2013. The vast majority of our revenue in 2013 derived indirectly from public entities engaged in large-scale infrastructure, solid waste management, liquid containment, coastal works and other industrial and civil projects, normally via the independent installers, distributors and engineering and civil works construction companies serving these public end-users. Our engineering and commercial teams have strong relationships with our end-market public customers and the large multi-national EPCs, and we are often able to propose solutions to key engineering problems directly to the decision-makers. As a result, the tender issued by these municipalities often names us as the preferred material supplier, making it easier for us to win the tender and supply the products for the project.

We also serve private companies engaged in large-scale infrastructure, developments (industrial, commercial and/or residential), mining and oil and gas projects. These private clients typically identify specific needs, solicit proposals and we offer an integrated set of products and services to address those specific needs. If the customer accepts our proposal, we sell the products directly to the client or to his contractor or sub-contractor.

When required by the client, and as part of an integrated engineering service, we can design and then supervise the installation of our products in addition to manufacturing them. We have solidified relationships with our customers through our product breadth, high levels of product performance and geographic reach.

Our diverse customer base across a range of end markets means we are broadly diversified and not overly dependent on any one customer or concentrated group of customers. In fact, over the last three years, our top 20 customers accounted for only between 11% and 14% of our total revenue, our top 100 customers accounted for only 30% of our total revenue and no single client generated more than 3% of our total revenue. This diversification manifests itself in more than just the total number of customers. Our product diversification means that these customers are engaged in varying different businesses whose economic cycles tend to offset one another. For example, the infrastructure economic cycle is generally offset from the mining and oil and gas economic cycle. We believe this helps mitigate the effects of cyclical economies as they relate to the overall demand for our products.

Our geographic diversification also helps support stable demand for our products and hedge naturally against economic downturns in any one market. Our presence in both emerging and mature markets allows us to profit from customers addressing different, independent problems. In mature markets we are well-positioned to

serve customers with solutions for the maintenance and expansion of existing assets and disaster/extreme event mitigation. For example, we provided products to reinforce flood alleviation measures in the United Kingdom in 2007. We also provided products used to protect a marina in Florida from future damage after it was destroyed by a hurricane. In this sense, some revenue from our mature markets can be event-driven. In our emerging markets, however, our products are used more often in large-scale infrastructure projects that are key to the economic development of these countries. For example, we sold products used to construct a new airport in Pakyong, India built on very challenging topography and products to build the diversion tunnel for a hydroelectric dam in Ecuador.

Sales and Marketing; Contracts and Tender Process

Our sales and marketing efforts are conducted through a global network of sales professionals in more than 50 countries who facilitate sales to end markets in over 100 countries. Our sales team is comprised of experts who understand the engineering solutions we are proposing. Our sales efforts are targeted at public municipalities, national or regional engineering and construction companies, independent installers and mining, power and industrial companies. Our product sales consist of sales to general contractors, independent installers and facility owners who are responsible for product specifications and the design and awarding of orders.

Our customer relationships enable us to capture greater market share. For example, we have strong relationships with end-market public municipalities, from which 90% of our revenue was originated in 2013. Because of these relationships, we are often able to work with end-users in the planning phase of projects. We propose solutions to the project consultants and their representatives (e.g., designers and architects) who then advise the municipal leaders who issue tenders. Because of the expert advice of our teams, our proposed solution is often identified as the municipality's preferred approach, and we are often indirectly identified as the company best-able to meet the specifications of the project. Once a contractor is awarded a tender, our team of engineer sales people work with that contractor to answer their questions about the specifications and the integrated solution. This consultation often results in the contractor placing orders with us to meet the specifications of the tender and us fulfilling the orders and providing service and support throughout the installation and implementation process if required.

With our private customers, our products are typically sold through responsiveness to customers' proposals that establish the design and performance criteria for the desired products. We are able to favorably leverage our product breadth, engineering capabilities and customer and end-user relationships to generate orders that integrate a number of our products to solve the problems facing our customers. We also utilize our expertise to support our customers throughout the installation and construction phases of a project to ensure that our tailored solution is correctly implemented and maintained. As the portion of our supply as a percentage of the total cost of the project is limited, price is typically not the key driver of the decision to purchase our products.

This approach to selling products to our public and private end-users naturally results in the vast majority of our orders being short-term purchase orders where prices are fixed at the time of order and the product is generally dispatched from the inventory we have on hand. The minority of our contracts are long-term supply contracts where we agree to supply products for the duration of a project. For the year ended December 31, 2013, these contracts had an average duration of between one and three years. In these contracts our prices are based on materials prices at the time the contract is executed. The contracts then provide price-adjustment mechanisms based on the fluctuations in our raw-materials costs, for example industry accepted steel market price indices. In each case, we typically provide customers with a limited ten-year material warranty on our products. These warranties are generally limited to repair or replacement of defective products or workmanship, often on a pro-rated basis, up to the dollar amount of the original order.

Competition

Our industry is fragmented due to our wide variety of products, functions, markets and geographies. Few, if any, companies offer as wide an array of solutions as us, and none are as present in as many different countries as us, so it is difficult to identify companies that compete in every product line and in every country. For example, in our double twist line of products, we believe we have four main competitors spread across Europe, the Middle East, North America, South America and Asia/Oceania. Across all of our product lines and in the majority of our geographic markets, most of our competitors are small-to-medium-sized companies that specialize in specific products and focus on specific geographies.

In double twist mesh products, we are the worldwide leader, with our main competitors being Prodac (in South America), BB Trading (in Asia and Oceania) and De Acero and Terra Aqua (in North America). In

geosynthetics, our main competitors worldwide are Tensar, Heusker and TenCate. In rockfall protection, our main competitor worldwide is Geobrugg. In other products and services, our main competitors are Bekaert (in tunneling products) and RECO (in retaining walls).

Adding to the fragmented competitive landscape is the fact that, in addition to competing with suppliers of our identical products, we also compete with suppliers of substitute (indirect competition) construction products such as traditional reinforced concrete or steel sheet piles. Management believes we have a competitive advantage over these substitute products because our solutions are, on the whole, less expensive, easier to install and more environmentally friendly.

In emerging markets, the competitive landscape is more fragmented than in mature markets like the European Union or the United States. Many competitors in these developing regions are low-cost manufacturers that lack the product quality and consistency to compete in more mature markets and the engineering capabilities and broad product range that would enable them to offer integrated solutions. As international infrastructure and environmental regulations become more stringent, we believe greater importance will be placed on manufacturers who, like us, have the technical expertise and industry certifications required to supply products that comply with heightened regulations.

Suppliers

Our principal products are manufactured by us primarily from high-grade steel wires, wire rod and specially-formulated polymers with chemical additives. Our products are manufactured to resist weathering, ultraviolet degradation and chemical exposure. We maintain close, longstanding relationships with a large network of suppliers to ensure supply and quality of our needed materials. We use multiple suppliers in each manufacturing location in order to protect against potential supply shortages and to avoid reliance on a single supplier. Moreover, we use local suppliers whenever possible to reduce transportation costs and delivery delays. In addition, where we have come to trust the quality of the products manufactured by a third party, we will occasionally enter into partnership agreements with them, whereby the third party provides the finished product and we market it using our name and brand. For example, we have entered into an agreement with RISP S.r.l. whereby they provide us exclusively with the rockfall catch fences that we market and sell. However, to maintain competitiveness and according to our agreement with RISP S.r.l., we also manufacture rockfall catch fences in our own factories in other areas of the world where the product from RISP S.r.l. would be uneconomical.

We believe that because of our scale and manufacturing locations, we are able to negotiate material prices less than or equal to our competitors. With 31 manufacturing facilities on five continents and a global network of distributors and sales offices we are also able to optimize freight costs by reducing shipping distances and negotiating attractive rates with local distributors.

Raw Materials

The primary raw materials we use in our products are high-grade steel wire, wire rod, steel cables and polymers. These components are subject to raw material availability and commodity price fluctuations, which we monitor on a regular basis. As is customary for international production companies, we enter into agreements for the provision of raw materials directly with local and international suppliers. Our local supplier network allows us to offer our products at lower costs than our competitors. That network also allows us to, when possible, purchase raw materials in the local currency which acts a natural hedge against currency exchange risks. Availability of these materials, however, may vary significantly from year to year due to factors such as customer demand, producer capacity, market conditions and specific material shortages. Because most of our orders are short-term purchase orders, we are often able to pass any raw material price increases along to our customers. Even in cases in which we have long-term contracts, we often tie the cost of our goods to relevant pricing indices and the contracts permit us to pass on the cost of higher raw materials. See "*Risks Related to Our Business—Our business is subject to fluctuations in the price and availability of raw materials*."

Properties, Plants and Equipment

We have a significant number of production facilities and sales offices to support our international operations and be as close as possible to the clients we serve. As of December 31, 2013 we had a total of 31 production facilities in 22 countries on five continents. We manufacture both standard products and as well as products tailored to discrete project specifications. The scale and sophistication of our manufacturing processes create a competitive advantage in the markets in which we operate. In addition, the sophistication of our

manufacturing processes requires an operational expertise that we have developed over the past 135 years. Production must be closely monitored and tightly controlled to ensure that the processes create finished goods that meet our requirements for quality and integrity. Our experienced operations and production engineers are a valuable asset to us because of their ability to efficiently and effectively manage the manufacturing processes.

The table below presents an overview of our production facilities and their respective maximum production capacities:

			Current Annual Capacity		
Location	**Size of facility (m²)**	**Owned (O)/ Leased (L)**	**Double Twist (tons)**	**Geosynthetics (m²/ml/tons)[1]**	**Rockfall (m²)**
Castilenti, Italy	39,219	O	3,129	2,998,135 m²	—
Bellizzi, Italy	60,560	O	7,291	—	—
Zarajsk, Russia	44,220	O	4,500	1,500,000 m²	55,000
Jundiaí Brazil	201,281	O	16,700	3,000,000 m²	—
Pune, India	14,400	O	5,000	700,000 m² 15,840,000 ml	55,00
Brezova, Slovakia	47,670	O	7,000	4,500,000 m²	—
Oakworth, UK	12,861	O	—	2,471,000 m² 2,150,000 ml	—
Changsa, China[2]	14,000	O	12,000	—	55,000
Montornes, Spain	37,400	O	5,000	—	—
Tianjin, China 1[3]	16,787	O	—	—	—
Tianjin, China 2	8,369	O	—	1,500,000 m²	—
Tianjin, China 3	8,087	O	4,500	—	—
Tongaat, South Africa	30,400	O	7,000	—	55,000
Willamsport, USA	13,350	O	4,500	—	—
Mamplasan, Philippines	22,000	L	4,000	—	60,000
Seremban, Malaysia 1	14,500	O	5,000	—	55,000
Seremban, Malaysia 2[4]	8,724	L	—	—	—
Kurgan, Russia	7,540	O	2,500	—	—
Sacramento, USA	14,250	L	2,500	—	82,500
Tanggerang, Indonesia	13,900	O	4,500	—	—
Seoul, South Korea	7,600	L	5,000	—	—
Queretaro, Mexico	23,200	O	7,500	—	—
Baratpur, Nepal	12,200	O	2,250	—	—
Benavides, Argentina	8,200	O	2,000	—	—
San Josè, Costa Rica	10,000	O	4,500	—	—
Lima, Perù	10,200	O	5,000	—	—
San Polo, Italy	8,000	O	264	—	—
Camacari, Brazil	48,064	O	—	7,350 tons	—
Tirana, Albania	14,980	O	7,000	—	—
Santa Cruz della Sierra, Bolivia	130,100	O	2,500	—	—
Duzce, Turkey	15,200	L	3,000	—	—

(1) MacMat®™, MacDrain®, Paragrid® and Paralink® output all measured in meters squared; Paraweb® output measured in milliliters; BMD output measured in tons.
(2) Currently relocating all production capacity to a new facility in Ninxiang, China.
(3) Produces only steel fiber (24,300 m2 per year).
(4) Produces only Kikkonet® (300,000 m2 per year).

We own, mortgage-free, most of the real estate that we use for our production facilities. In addition, we have a number of locations used for administrative, technical, sales and marketing and distribution purposes, including our corporate headquarters in Bologna, Italy (which is currently leased but which we intend on purchasing with a portion of the proceeds from the Issuance (see, "*Use of Proceeds*") and local headquarters in Washington, D.C., USA, Sao Paulo, Brazil and Kuala Lumpur, Malaysia.

Our production and construction activities require extensive production equipment and specialized machinery. Specialized machinery tends to be expensive and specifically designed and limited for use in a particular production process. We purchase equipment, lease equipment and enter into sale-and-leaseback arrangements, as we deem appropriate.

Research & Development

Since inventing the modern gabion in the 1800s, we have always considered R&D to be among the key factors for the further development of our product offerings and brands, since know-how is one of our key strengths. Through our sales force on the ground and our strong relationships with key municipalities, government clients and key corporate clients, we are often able to propose integrated engineering solutions to our clients at the design and/or tender phase of the process, allowing our clients to better understand the results they will achieve with our solutions and placing our group in the leading position to be selected as the provider for the final project. R&D is a crucial element to maintaining this advantage.

Therefore, we have spent, despite the economic downturn, €2.5 million, €2.7 million and €3.1 million on R&D in the years ended December 31, 2013, 2012 and 2011, or 0.5%, 0.6% and 0.6% of sales for those same years. Our R&D activities are primarily aimed at enhancing our existing products to add innovative functions and applications, adapting existing products to meet specific customer needs, developing new products and generally optimizing the quality of our product portfolio.

We have five separate facilities contributing to group R&D, one in each of the United States, Italy, Brazil, the United Kingdom and Malaysia, with 20 full-time-equivalent engineers dedicated to researching and developing new products to meet our customers' needs. This broad R&D footprint is yet another demonstration of our geographic diversification.

We have launched more than eight products and/or families of products over the past ten years. Recent examples of new products include: PA6, an environmentally-friendly polymer coating for our double twist products with improved environmental and technical performance over PVC and HDPE; Terramesh®, Steelgrid®, P.E.R. Ground™, fiberglass corrugated pipes and dynamic attenuator barriers. Wherever and whenever possible, these new products are protected by patents.

Our research and development success translates directly into an ability to engineer more complete solutions to address our customers' needs. For example, PA6 Coated gabions were used to help the Authority in New York City construct an environmentally beneficial retaining wall in the Bronx with minimal disruption to daily transportation, our innovative tunneling solutions are a product of our research and development efforts and management attributes our market penetration in the Rockfall sector almost entirely to research and development efforts.

Intellectual Property

Our intellectual property portfolio is one of the means by which we attempt to protect our competitive position. We rely on a combination of know-how, trade secrets, trademarks, copyrights and contractual restrictions to protect our products. We also own approximately 500 patents on approximately 50 products worldwide covering some aspects of our products and certain design software used to design channels, rockfall structures and longitudinal and transverse structures. We are constantly seeking ways to protect our intellectual property through registrations in relevant jurisdictions. We have actively monitored and challenged violations of our intellectual property rights in the past, and we intend to continue to actively protect our intellectual property rights in the future to the fullest extent possible.

We have received patents from the European Union, Italy, Spain, Germany, Taiwan, Venezuela and many other countries in which we operate. Some of these patents have been issued in select foreign countries and certain patent applications are being prosecuted in such jurisdictions. We have registered our trademarks and logo in our primary jurisdictions and in select other countries where we operate, and have registered our trademarks in select foreign countries. Although in the aggregate our patents are important in the operation of our business, we do not believe the loss, by expiration or otherwise, of any one patent or group of patents would materially affect our business.

Employees

As of December 31, 2013, we employed 2,937 employees worldwide, of which 411 were engineers (our average number of employees during the period was 2,833). The table below presents an overview of our employees by type as of December 31, 2013:

Managers	72
Employees	1,339
Workers	1,526
Total	2,937

Many of our employees are subject to collective bargaining agreements or represented by unions, worker representative committees or work councils. We believe our employee relations are good; we have had no recent disputes with our employees.

Health and Safety

We have strong health and safety procedures. We are focused on integrating risk prevention throughout all of our subsidiaries and locations with a view toward improving working conditions, as well as the health and safety of our employees. We have had no major health or safety issues in the last three years. See "*Risks Related to Our Business—Our failure to successfully maintain health and safety policies and procedures could expose us to liability*".

Regulations Regarding Environmental Matters

Increasingly stringent environmental laws and regulations in the European Union, the United States and other mature markets, have increased the demand for some of our products, especially our drainage systems, erosion protection and geosynthetic products. Activities that affect groundwater quality have been subject to particular scrutiny by regulators, and may be the subject of future changes to existing laws and regulations. These activities include industrial storm water runoff containment areas, canals, mining leach pads and tunnels—all of which are end markets in which our products are used.

We are required to comply with a variety of laws and regulations governing the protection of the environment, the exposure of persons and property to wastes. These laws regulate, among other things, the generation, storage, handling, use and transportation of waste materials; the disposal and release of wastes and other substances into soil, air or water; and our obligations relating to the health and safety of our workers and the public. We are also required to obtain and comply with environmental permits and licenses for certain operations. If we violate or fail to comply with these requirements, we could be subject to private party or governmental claims, the issuance of administrative, civil and criminal fines or penalties, the denial, modification or revocation of permits, licenses or other authorizations, the imposition of injunctive obligations or other limitations on our operations, including the cessation of operations, and requirements to perform site investigatory, remedial or other corrective action. In some instances, such actions could be material and could result in adverse impacts on our operations and financial condition. See "*Risks Related to Our Business—Our business is subject to stringent environmental regulation*".

We believe that we have all material environmental permits and that our operations, are in substantial compliance with applicable laws. We periodically evaluate whether we must take additional steps to ensure compliance with existing environmental laws. We have spent, and can be expected to continue to spend in the future, significant amounts of time and resources to comply with these and other environmental laws and regulations. Over time, environmental requirements have become more stringent and we anticipate that the governments where we operate will continue to develop increasingly strict environmental laws and regulations and to interpret and enforce more aggressively existing laws and regulations. Violations of environmental laws can result in substantial penalties, temporary or permanent factory closures and criminal convictions (in certain circumstances including against directors, officers and members). Moreover, the nature of our operations exposes us to the risk of liabilities to third parties. These potential claims include property damage, nuisance, personal injuries and clean-up obligations.

Insurance

We maintain insurances policies that we believe are customary in our industry. At a corporate level we maintain comprehensive policies covering all of the countries where we operate with respect to general liability,

property damage, third party liabilities, product liability and directors and officers liabilities and health and safety. We also maintain various policies necessary to comply with local laws and regulations. We believe that the level of insurance which we maintain is appropriate for the risks of our business. See "*Risks Related to Our Business—Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase*".

Legal and Regulatory Proceedings

We are party to various claims and legal actions arising in the ordinary course of our business. These legal actions cover a range of claims spanning our business. The two most significant legal claims are described below. We believe that the resolution of these claims and other legal actions will not, individually or in the aggregate, adversely affect our business, results of operations or financial condition. In addition, we are not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), during the past 12 months, which may have, or have had in the recent past, significant effects on our financial position or profitability. In the aggregate, as of March 31, 2014, our provision for risk and charges include a provision to cover risks related to business activities of approximately €4.9 million (which include provisions of approximately €1.5 million related to the matters described below).

COIM construction consortium. We are party to a proceeding brought by Coim Cuneo S.r.l. ("**COIM**"), a construction consortium, alleging that certain of our geosynthetic products used to line and waterproof an underpass in northern Italy were manufactured and/or installed improperly. We have argued that the product was not defective and that any leakage was caused by improper installation and by design flaws in the project itself. An initial trial was decided in our favor. However, on appeal, the Italian appellate court ruled against us and ordered us to pay total damages (including costs, fees and interest) of approximately €4.0 million. We have appealed this decision to the Italian Court of Cassation and are awaiting a ruling (expected in June 2014) on whether the appeal will be heard by such court. In addition, we have petitioned to stay our payment obligations pursuant to the appellate decision pending the outcome of the further appeal. A ruling on this stay is expected at the end of May, 2014. If the stay of payment is granted, we will post a payment bond with the court that will be enforced in the event our ultimate appeal is unsuccessful. If the stay of payment is not granted, we will be required to pay the full amount of the damages and would only be entitled to seek reimbursement if our appeal is ultimately successful, but any subsequent recovery would uncertain.

Cave Pedogna. The operator of rock and gravel quarry in Italy ("**Cave Pedogna**") has brought a claim against us alleging that imperfections in our products and/or project design used to line and protect a portion of the quarry are defective and, as a result, a portion of the quarry is unusable. Cave Pedogna's claim seeks restitution for damages and lost profits. This claim is still in the early stages of petition and discovery and we cannot yet estimate potential damages or lost profits, if any. We intend to vigorously defend our interests in this case and, in any case, we estimate that no ruling in the case will be issued in the medium term.

MANAGEMENT

*The following is a summary of certain information concerning our management, certain provisions of our bylaws (*statuto*) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to our bylaws and/or Italian law, as the case may be, and it does not purport to be complete.*

The Company was incorporated as a private joint stock company (*società per azioni*) under the laws of the Republic of Italy on May 25, 1920, and is registered under number 00795700152 with the Companies Register of Bologna (*Registro delle Imprese di Bologna*). The Company's incorporation will terminate on December 31, 2050, subject to certain amendments being made to its bylaws to extend the period of its incorporation. The Company's registered office is at Via J.F. Kennedy, 10, 40069, Zola Predosa (BO), Italy and its telephone number is +39 051 643 6000.

We are managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee and/or one or more managing directors. Under Italian law, the board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires us to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body.

Except as disclosed in this Offering Memorandum, the members of our board of directors and our senior management have no conflicts of interest with us.

Directors and Senior Management

Directors

The board of directors of the Company (the "**Company's Board of Directors**"), as of the date of this Offering Memorandum, are set forth in the table below. The business address of each member of the Company's Board of Directors is the registered address of the Company, Via J.F. Kennedy, 10, 40069, Zola Predosa (BO), Italy.

The current members of the Company's Board of Directors were appointed at the shareholders' meeting held on April 28, 2014, and will remain in office for 3 years until approval of the financial statements relating to the 2016 fiscal year. The following table sets forth the age, date of first appointment and position of the directors of the Company:

Name	Age	Date of first Appointment	Position
Alessandro Maccaferri	56	April 23, 1990	Chairman, Director
Luigi Penzo	64	July 5, 2004	Chief Executive Officer, Director
Massimo Maccaferri	60	July 22, 2003	Vice Chairman, Director
Raimondo Cinti	66	January 15, 1993	Non-Executive Director
Antonio Maccaferri	51	April 22, 1996	Non-Executive Director
Gaetano Maccaferri	63	June 27, 2007	Non-Executive Director
Andrea Marazzi	47	April 28, 2014	Managing Director

Set forth below is certain biographical information relating to the members of the Company's Board of Directors.

Alessandro Maccaferri began his career with the Company in 1990 as a director. He is currently the Chairman of the Board of Directors of the Company and Vice Chairman of the Board of Directors of both SECI, the sole shareholder of the Company, and SAMP S.p.A. a leader in the Italian mechanical gear market, and another subsidiary of SECI. Mr. Maccaferri is also a director of various subsidiaries of SECI and the Company. He has been involved in planning and implementing the Company's business strategy and managing all the Company's subsidiaries.

Luigi Penzo graduated from the Università degli Studi di Bologna with a degree in economics. He began his professional career as assistant to the general director of Wrapmatic S.p.A., a leading company in the packaging machinery field. Mr. Penzo joined the Company in 1979. In 1987 he became the General Manager of the Company and was appointed Chief Executive Officer in 1991.

Massimo Maccaferri began his career with the Company in 1977 as a clerk in the export sales department. Since then he has held various positions in several SECI subsidiaries. He is currently the Chairman of the Board of Directors of Eridania Sadam S.p.A., a leader in the Italian sugar industry and the Vice Chairman of Gnosis S.p.A. He has served as Vice Chairman and Director of both SECI and the Company since 2003.

Raimondo Cinti graduated from the Università degli Studi di Bologna with a degree in electrical engineering. Mr. Cinti is the Managing Director of Seci Energia S.p.A., and since 2006 he has also served as a director of Bolzoni S.p.A., the largest European manufacturer of lift truck attachments. He specializes in organizational processes related to the strategic repositioning of competitive business. Throughout his career Mr. Cinti has held executive positions in several national and multinational companies, and has been instrumental in the acquisition and integration of various companies, turn-around operations, production relocation and operating-entity start-up efforts.

Antonio Maccaferri began his career with the Company in 1996. He is currently a director of the Company and Chairman of the Board of Directors of SAMP S.p.A., a subsidiary of SECI, and a leader in the worldwide market for tools, machinery and production facilities used to manufacture wire and cable.

Gaetano Maccaferri graduated from the Università Degli Studi di Firenze with a degree in architecture. He began his professional career in the building and planning industry as a partner of the company MMP Architetti S.r.l. In 1987 he joined the SECI Group and is currently the Chairman of SECI, and a director of many of SECI's subsidiaries. Within SECI he leads the development of new business areas, and is responsible for the development of the real estate and construction arms of SECI. Since 2004 he has been the Chairman of the Association of Industrialists of Bologna (*Associazione degli Industriali di Bologna*) and of Unindustria Bologna. Mr. Maccaferri is the Vice Chairman of Eridania Sadam S.p.a, a leader in the Italian sugar industry. He is also a director of Il Sole 24 Ore S.p.A., the major economic, financial and professional multimedia publishing group in Italy.

Andrea Marazzi graduated from the Università degli Studi di Roma – La Sapienza in 1991 with a degree in engineering. He began his career as a consultant with Andersen Consulting (predecessor of Accenture Plc). Until 2013 he was the General Manager of Manifatture Sigaro Toscano S.p.A. He is currently the Managing Director of the Company.

Director Compensation

The aggregate compensation paid to the Directors of the Group for the year ended December 31, 2013 was €775,000, consisting of fixed salaries and performance-related bonuses.

Senior Management

The following table sets forth the age and position of the senior managers of the Group:

Name	Age	Position
Alessandro Maccaferri	56	Chairman, Director
Luigi Penzo	64	Chief Executive Officer, Director
Davide Salmasi	49	Chief Financial Officer
Andrea Marazzi	47	Managing Director
Marco Finelli	57	Corporate Director
Cristiano Berti	46	Corporate Industrial Director
Francesco Ferraiolo	60	Technical Director

The senior managers listed above are considered relevant to our assertion that we have the appropriate expertise and experience for the management of our business.

Set forth below is certain biographical information relating to the members of the Group's senior management.

Alessandro Maccaferri see "*—Directors*" for a description of Mr. Maccaferri's management and experience.

Luigi Penzo see "*—Directors*" for a description of Mr. Penzo's management expertise and experience.

Davide Salmasi graduated from the Università degli Studi di Bologna in 1988 with a degree in business economics. He began his career with IMSER SpA., and worked at Adanti S.p.A. until 1992. He currently serves as the Chief Financial Officer of the Company.

Andrea Marazzi see "*—Directors*" for a description of Mr. Marazzi's management expertise and experience.

Marco Finelli graduated from the Università degli Studi di Bologna with a degree in business economics. He began his professional career at the Bank of Bologna (*Cassa di Risparmio di Bologna*). In 1980 Mr. Finelli joined SECI where he worked as a controller and international strategic developer for more than 20 years. Since 2003 Mr. Finelli has been the Executive Director of the Company. His duties include defining the Company's goals, planning the strategic development of the Company and supervising the management of all of the Company's worldwide subsidiaries.

Cristiano Berti graduated from the Università degli Studi di Bologna with a degree in mechanical engineering. At the beginning of his professional career he worked as an engineer and manager for Magneti Marelli Powertrain S.p.A., a company that designs and produces hi-tech systems and components for the automotive sector. He joined the Company in 2006 as a process engineering manager and currently serves as the Company's Corporate Industrial Director. His career has provided him with more than 20 years of experience in the engineering industry.

Francesco Ferraiolo graduated from the Università degli Studi di Bologna with a degree in civil engineering. He was admitted to the Order of Engineers of Bologna in 1982. Mr. Ferraiolo began his professional career with the Company in 1979. In 1982 he was named head of the Company's technical department, and in 2008 was appointed Technical Director. He is responsible, in part, for the Company's technical and research and development activities. Mr. Ferraiolo is the designated inventor for the Company's patents. Mr. Ferraiolo is also the Technical Director of Italdreni S.p.A, and is a member of Italian and international working groups that prepare technical engineering standards.

Senior Management Compensation

The aggregate compensation paid to the senior management of the Group for the year ended December 31, 2013 was €947,738, consisting of fixed salaries and performance-related bonuses. As of the date of this Offering Memorandum, the Company does not maintain a stock option plan.

Company's Board of Directors Practices

The Company's Board of Directors is composed of six directors. Pursuant to the by-laws (*statuto*) of the Company, the Company is managed by a board of directors consisting of between two to seven members. The Company's Board of Directors may perform all acts that they consider necessary for the achievement of the Company's corporate purposes, except for those actions reserved by law or for the shareholders' meeting pursuant to the Company's by-laws. The Directors hold their office for the time specified at the time of appointment, which may not exceed three years, expiring on the date of the ordinary shareholders' meeting called to approve the financial statements. The Directors may be re-elected.

Audit and Remuneration Committees

We have not adopted separately established audit and remuneration committees. The Board of Directors as a whole, or its delegated members, fulfills these functions as and when required.

Board of Statutory Auditors

Pursuant to applicable Italian law, the Company has appointed a board of statutory auditors (*Collegio Sindacale*) whose purpose is to oversee the Company's compliance with the law and with its by-laws, verify the Company's compliance with best practices in administration of its business, and assess the adequacy of the Company's internal controls and accounting reporting systems, including the adequacy of the procedures in place for the exchange of information between it and its subsidiaries.

Currently, there are three auditors and two alternate auditors on the Company's board of statutory auditors.

Members of the board of statutory auditors are appointed by the shareholders of the Company at ordinary shareholders' meetings and serve three-year terms that expire on the date of the third ordinary shareholders' meeting called to approve the financial statements since their appointment. At least one of the auditors and one of the alternate auditors must be selected from among the legal auditors registered with the relevant special registry in Italy. The lack of the legal requirements necessary for appointment to board results in the immediate removal of the relevant auditor from the board. The removed member is replaced by the oldest alternate auditor.

The current members of the board of statutory auditors of the Company were appointed at the shareholders' meeting held on April 28, 2014, and will remain in office for 3 years until the approval of the financial statements relating the 2016 fiscal year. The following table sets forth the age and title of the statutory auditors of the Company:

Name	Age	Position
Emilio Abruzzese	56	Chairman
Alessandro Arienti	66	Auditor
Valeria Calabi	47	Auditor
Massimo Landini	36	Alternate Auditor
Stefania Ricchieri	50	Alternate Auditor

The business address for each of the members of the Company's board of statutory auditors is Via J.F. Kennedy, 10, 40069, Zola Predosa (BO), Italy.

Set forth below is certain biographical information relating to the members of the Company's board of statutory auditors.

Emilio Abruzzese graduated from the Università degli Studi di Bologna. He was admitted to the roll of Chartered Accountants in 1982 and to the roll of Chartered Auditors in 1995. Mr. Abruzzese specializes in accounting, tax and auditing matters and is the author of numerous articles published in professional journals. He is Chairman of the Commission on Direct Taxes in the Chartered Accountants of Bologna. Mr. Abruzzese is a partner of Studio Arienti Abruzzese, a tax and advisory firm in Bologna, where he advises financial and industrial companies in connection with mergers, acquisitions and spin-offs and provides tax structuring and due diligence advice.

Alessandro Arienti graduated from the Università degli Studi di Bologna. He was admitted to the roll of Chartered Accountants in 1974 and to the roll of Chartered Auditors in 2005. Mr. Arienti is a partner of the tax and advisory firm Studio Arienti Abruzzese, where he provides accounting and tax advisory services to companies and individuals. He has served as statutory auditor for a number of companies.

Valeria Calabi graduated from the Università degli Studi di Bologna. She was admitted to the roll of Chartered Accountants in 1994 and to the roll of Chartered Auditors in 1999. Mrs. Calabi provides tax advisory services, and financial statement analysis as an associate in the tax and advisory firm Studio Arienti Abruzzese in Bologna. She has served as director and statutory auditor for a number of companies.

Massimo Landini graduated from the Università degli Studi di Bologna with a degree in law. During his career he has worked as a legal tax advisor and as officer of the Italian Tax Authority (*Agenzia delle Entrate*) in Ravenna. He was admitted to the roll of Qualified Lawyer in 2012 and currently provides legal and tax advisory services as an associate in the tax and advisory firm Studio Arienti Abruzzese in Bologna.

Stefania Ricchieri graduated from the Università degli Studi di Bologna. She was admitted to the roll of Chartered Accountants in 1994 and to the roll of Chartered Auditors in 1999. Mrs. Ricchieri specializes in tax litigation and provides accounting, tax and corporate services through her own firm in Bologna.

PRINCIPAL SHAREHOLDER

As of the date of this Offering Memorandum, the Company's share capital amounted to €33,400,000.00 which has been fully paid-up, comprised of 417,500 ordinary shares, without par value.

The Company is wholly-owned by SECI, which is, in turn, owned by individuals belonging or related to the Maccaferri family and Cordusio Fiduciaria S.p.A., a trust company acting on behalf of the Maccaferri family. The share capital of SECI amounts to €60,500,000 which has been fully paid-up, comprised of 1,100,000 ordinary shares, without par value.

The following sets forth certain information regarding the indirect ownership of the Company (through the sole shareholder SECI) as of the date hereof:

	Percentage of share capital
Cordusio Fiduciaria S.p.A.[1]	54.55%
Raffaella Boni	4.27%
Angela Boni	4.27%
Antonio Maccaferri	9.23%
Gaetano Maccaferri	9.23%
Massimo Maccaferri	9.23%
Alessandro Maccaferri	9.23%
Total	**100.00%**

(1) Cordusio Fiduciaria S.p.A manages the shares of SECI pursuant to the agreement entered by and between Cordusio Fiduciaria S.p.A and certain members of the Maccaferri family.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

The following sets forth information relating to transactions between us and members of the Board of Directors and other related parties with reference to Article 2428 of the Italian Civil Code. For a description of certain other related party transactions, see Annex 6 to our Audited Consolidated Financial Statements as of and for three years ended December 31, 2013 and note 38 to our Unaudited Interim Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2014.

We believe that the transactions detailed below and in the annexes referenced above were performed under arms-length market conditions, i.e. in line with conditions that would have applied between non-related parties. Market prices are applied to both commercial and financial transactions.

We currently rent from our controlling shareholder, SECI, the real estate properties which we use as our headquarters in Zola Predosa (Bologna), pursuant to a lease agreement dated August 31, 2009 (as subsequently amended). We will purchase our headquarters from SECI for €14.0 million with proceeds from the Offering. See "*Use of Proceeds*".

In addition to the foregoing, we maintained certain contractual arrangements with certain subsidiaries and affiliates of SECI, as well as a contract with SECI related to back-office support (including IT, finance and treasury, human resources, legal and communications) and a financial account with SECI S.p.A. used for group cash management. The table below sets forth certain information regarding such transactions for the periods indicated.

Related party transactions	Revenue	Costs	Receivables	Payables
	(in thousands of €)			
Year ended December 31, 2011	116.6	821.0	2,906.4	1,903.1
Year ended December 31, 2012	198.8	1,776.7	14,239.5	757.8
Year ended December 31, 2013	654.9	1,704.3	8,842.0	487.8
Three months ended March 31, 2013	194.2	192.4	7,482.7	237.2
Three months ended March 31, 2014	312.4	141.6	35,160.8	350.0

Distributions to Shareholder

The Company (i) has, prior to the Issuance, converted €34.0 million of the SECI Receivables and other assets into a shareholder distribution, (ii) concurrent with the issuance, will distribute an additional €4.0 million to SECI and (iii) concurrent with the issuance, will make an additional loan of €12.0 million to SECI.

SECI Loan

In connection with the issuance of the Notes, we expect to loan €12.0 million to our shareholder, SECI, utilizing part of the proceeds from the Issuance of the Notes. Interest on the SECI Loan will accrue at a rate that is expected to be in line with the interest rate applicable to the Notes and will be payable semi-annually. The SECI Loan is expected to mature prior to the maturity of the Notes and will be governed by Italian law.

The SECI Loan may, in the future, be converted into equity or otherwise forgiven by the Issuer in compliance with the Indenture.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of our significant indebtedness does not purport to be complete and is subject to, and qualified by, the underlying documents.

Capital Leases

The Group is party to 27 leases primarily for plant and equipment used in our manufacturing facilities and for motor vehicles. Our financial leases generally contain termination clauses with associated penalties. As of March 31, 2014, the amount of future rental payments deriving from such financial leases was €4.6 million, net current portion. We expect that these capital leases will remain outstanding after the Transactions. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources*".

Ifitalia Factoring Facility

We have historically, from time to time, made sales of trade receivables pursuant to a factoring facility with Ifitalia to manage, in part, the working capital requirements of our trade receivables in our Italian business. This facility enables us to sell receivables on both a non-recourse (*pro soluto*) and recourse (*pro solvendo*) basis. The factoring facility will remain in place for future use. The following is an overview of the Ifitalia factoring facility. See "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*".

On December 1, 1999, the Issuer (the "assignor" under the contract) entered into a factoring facility agreement with International Factor Italia S.p.A. (the "**Factor**" or "**Ifitalia**") in relation to the sale of certain trade receivables by the Issuer to the Factor (the "**Ifitalia Factoring Facility**"). In addition, pursuant to an amendment dated July 7, 2013, Elas Geotecnica S.r.l. (a wholly-owned subsidiary of the Issuer) is also permitted to sell receivables pursuant to the Ifitalia Factoring Facility.

Receivables subject to the Ifitalia Factoring Facility include both existing and future receivables due from Italian customers and foreign customers. The maximum amount available under the Ifitalia Factoring Facility is €30.0 million. Each assignment of receivables is governed by the general terms and conditions of the Ifitalia Factoring Facility, by the relevant appendices (which differ for *pro soluto* and *pro solvendo* factoring) and by summary economic terms proposed by Ifitalia to the Issuer on a yearly basis. We currently pay a fixed commission on receivables sold on a recourse basis pursuant to the Ifitalia Factoring Facility.

Duration: The Ifitalia Factoring Facility has an unspecified duration and provides for a termination right for each party (subject to prior notice). On or prior to the Issue Date, the Ifitalia Factoring Facility will be amended to provide (i) a commitment of the Factor to maintain the Ifitalia Factoring Facility in place until May 2017 and (ii) the option of the parties to renew the commitment for an additional period of 24 months from the applicable termination date.

Economic terms: Factoring fees, the purchase price and other relevant provisions are contained in the summary economic terms proposed on a yearly basis by Ifitalia for each specific assignment.

Recourse: As of March 31, 2014, recourse factoring undertaken pursuant to the Ifitalia Factoring Facility was equal to €5,720,265.

Undertakings: Pursuant to the Ifitalia Factoring Facility, the Issuer, inter alia: (i) represents that receivables transferred are properly payable and have a fixed amount; (ii) undertakes to inform Ifitalia of any other factoring agreement entered into by the Issuer; (iii) undertakes to inform Ifitalia of any events materially affecting the solvency of the debtors and (iv) undertakes to provide any documentation relating to the receivables requested by Ifitalia.

Events of default: The Ifitalia Factoring Facility contains customary events of default and a cross-default provision that is triggered if there is a default under another financing equal to or greater than €20.0 million.

Banca Popolare di Vicenza Facility

The Company entered into the Banca Popolare di Vicenza Facility on July 29, 2013 with Banca Popolare di Vicenza ("**BPV**"), as lender, to provide for €2.0 million to be repaid in 12 different installments. As of March 31, 2014, €2.0 million was outstanding under this agreement.

Governing law:	The Banca Popolare di Vicenza Facility is governed by Italian law.
Maturity:	The final maturity date of the Banca Popolare di Vicenza Facility is June 30, 2020.
Interest:	Three month EURIBOR plus a margin.
SIMEST rebate:	SIMEST provides an interest rate rebate for certain interest payable under this contract.
Guarantees:	The Banca Popolare di Vicenza Facility is unguaranteed.
Security:	The Banca Popolare di Vicenza Facility is unsecured.
Undertakings:	The Banca Popolare di Vicenza Facility contains, *inter alia*, the following undertakings in which the Company pledges to undertake the following actions: (i) open a bank account with BPV for purposes of receiving disbursements under the facility and making facility repayments thereunder; (ii) inform BPV of any changes in its financial situation which might prejudice its ability to repay the loan; (iii) provide any documents concerning the Company requested by BPV; and (iv) inform BPV of any credit lines opened with other banks.
Events of default:	The Banca Popolare di Vicenza Facility contains customary events of default which permit BPV to accelerate and demand prepayment under the Banca Popolare di Vicenza Facility including the following: (i) insolvency proceedings against the Company; and (ii) changes in the financial situation which might prejudice the ability of the Company to repay the loan. Moreover, the agreement may be automatically terminated by BPV in the event that the Company: (i) does not pay any of the installments of the loan granted under the Banca Popolare di Vicenza Facility; or (ii) does not fulfill certain undertakings under the Banca Popolare di Vicenza Facility.
Right to Terminate and Demand Pre-Payment:	BPV has a right to terminate the agreement and demand pre-payment at any time.

First Cassa di Risparmio di Bologna Facility

The Company entered into the First Cassa di Risparmio di Bologna Facility on April 26, 2011, with Cassa di Risparmio di Bologna S.p.A. ("**CARISBO**"), a bank belonging to the Intesa Sanpaolo banking group, as lender, to provide for €3.6 million to be repaid in 10 installments (plus 6 interest installments). The purpose of the First Cassa di Risparmio di Bologna Facility is financing the investments of the groups businesses in China and Brazil. As of March 31, 2014, €3.6 million was outstanding under this agreement.

Governing law:	The First Cassa di Risparmio di Bologna Facility is governed by Italian law.
Maturity:	The final maturity date of the First Cassa di Risparmio di Bologna Facility is April 26, 2019.
Interest:	Six month EURIBOR plus a margin.

SIMEST rebate:	SIMEST provides an interest rate rebate for certain interest payable under this contract.
Guarantees:	SECI provided a guarantee for €3.6 million.
Security:	The First Cassa di Risparmio di Bologna Facility is unsecured.
Undertaking:	The First Cassa di Risparmio di Bologna Facility contains, *inter alia*, the following undertakings in which the Company pledges to undertake the following actions: (i) open a bank account with CARISBO for purposes of receiving disbursement under the facility and to facility making repayments thereunder; (ii) provide CARISBO with the financial statements within 30 days from the approval of the shareholders' meeting; (iii) provide documentation on its financial and economic situation requested by CARISBO; (iv) inform CARISBO of any event or any change that may negatively affect its financial situation and which may prejudice its activities; (v) assume responsibility for all taxes resulting from this agreement; and (vi) respect the purpose of the First Cassa di Risparmio di Bologna Facility.
Pre-Payment and Termination:	The First Cassa di Risparmio di Bologna Facility provides for the prepayment in case of bankruptcy of the Company or insolvency proceedings involving the Company. Moreover, the agreement may be automatically terminated by CARISBO incase of Company's defaults as well as the following: (i) failure to pay any installments or ancillary payments; (ii) use of funds for other purposes than those agreed; (iii) breaches of certain undertakings; and (iv) non-compliance with financial obligations owed to any other party.
Right to Terminate and Demand Pre-Payment:	CARISBO has the right to terminate the agreement and demand pre-payment in case of (i) winding up of the Company; (ii) merger, demerger or business sale performed by the Company without the prior consent of CARISBO; (iii) any event or any change that may negatively affect the financial position of the Company; and (iv) non-fulfillment by the Company of financial obligations assumed *vis-à-vis* any subject.

Second Cassa di Risparmio di Bologna Facility

The Company entered into the Second Cassa di Risparmio di Bologna Facility on March 9, 2012, with CARISBO, as lender, to provide for €4.0 million to be repaid in 12 installments (plus 4 installments for the interests). The purpose of the Second Cassa di Risparmio di Bologna Facility is financing the investments of the Company in China. As of March 31, 2014, €4.0 million was outstanding under this agreement.

Governing law:	The Second Cassa di Risparmio di Bologna Facility is governed by Italian law.
Maturity:	The final maturity date of the Second Cassa di Risparmio di Bologna Facility is March 9, 2020.
Interest:	Six month EURIBOR plus a margin.
SIMEST rebate:	SIMEST provides an interest rate rebate for certain interest payable under this contract.
Guarantees:	SECI provided a guarantee for €4.0 million.
Security:	The Second Cassa di Risparmio di Bologna Facility is unsecured.

Undertakings:	The Second Cassa di Risparmio di Bologna contains, *inter alia*, the following undertakings in which the Company pledges to undertake the following actions: (i) open a bank account with CARISBO for purposes of receiving disbursement under the facility and to facility making repayments thereunder; (ii) provide CARISBO with the financial statements within 30 days from the approval of the shareholders' meeting; (iii) provide documentation on its financial and economic situation requested by CARISBO; (iv) inform CARISBO of any event or any change that may negatively affect its financial situation and which may prejudice its activities; (v) respect of the financial covenants; (vi) assume responsibility for all taxes resulting from this agreement; and (vii) respect of the purpose of the Second Cassa di Risparmio di Bologna Facility.
Pre-Payment and Termination:	The Second Cassa di Risparmio di Bologna Facility provides for the prepayment in case of bankruptcy of the Company or insolvency proceedings involving the Company. Moreover, the agreement may be automatically terminated by CARISBO in case in case of Company's defaults as well as the following: (i) use of funds for other purposes than those agreed; and (ii) breaches of certain undertakings.
Right to Terminate and Demand Pre-Payment:	CARISBO has the right to terminate the agreement and demand pre-payment in case of (i) winding up of the Company; (ii) merger, demerger or business sale performed by the Company without the prior consent of CARISBO; (iii) any event or any change that may negatively affect the financial position of the Company; and (iv) non-fulfillment by the Company of financial obligations assumed *vis a vis* to any subject.

Cariparma Facility

The Company entered into the Cariparma Facility on December 28, 2010, with Cassa di Risparmio di Parma e Piacenza ("**CPP**"), as lender, to provide for €4.1 million to be repaid in 10 semi-annual installments. The purpose of the Cariparma Facility is financing the investments of the Company in Albania and South Africa. As of March 31, 2014, €4.1 million was outstanding under this agreement.

Governing Law:	The Cariparma Facility is governed by Italian law.
Maturity:	The final maturity date of the Cariparma Facility is December 28, 2018.
Interest:	Six month EURIBOR plus a margin.
SIMEST Rebate:	SIMEST provides an interest rate rebate for certain interest payable under this contract.
Guarantees:	SECI provided a guarantee.
Security:	The Cariparma Facility is unsecured.
Undertakings:	The Cariparma Facility contains, *inter alios*, the following undertakings in which the Company pledges to undertake the following actions: (i) provide CPP with the financial statements within 30 days from the approval of the shareholders' meeting; (ii) provide documentation on its financial and economic position requested by CPP; (iii) maintenance of insurances; (iv) not to change its business or modify its bylaws; (v) provide customary information; (vi) provide information on any litigation commenced that could have a negative effect on the fulfillments of the undertakings; (vi) not to allocate assets to a specific business; and (vii) compliance with law requirements.

Pre-Payment and Termination: The Cariparma Facility provides for the prepayment in case of insolvency of the Company. In addition, the agreement can be terminated following cross defaults with respect to other existing financial agreements equal to or greater than €5.0 million.

Right to Terminate and Seek Pre-Payment: CPP has the right to terminate the agreement and seek pre-payment in case of any of the following events relating to the Company occurs: (i) winding up; (ii) bankruptcy or insolvency proceedings; (iii) enforcements proceedings; (iv) material adverse change; (v) breach of law; (vi) breach of representation and warranties; (vii) non- renewal of permits and licenses; (viii) change of business; (ix) change of control; (x) application and/or enforcement of fiscal measures; (xi) circumstances that may be an obstacle to the execution of the agreement; and (xii) the external auditors express a negative opinion on, or cannot express an opinion on, the financial statements.

Cassa di Risparmio di Cento Facility

The Company entered into the Cassa di Risparmio di Cento Facility on July 28, 2012, with Cassa di Risparmio di Cento ("**Cento**"), as lender, to provide for €1.5 million to be repaid in 32 installments (the first 12 of which are interest-only). As of March 31, 2014, €1.5 million was outstanding under this agreement.

Governing Law: The Cassa di Risparmio di Cento Facility is governed by Italian law.

Maturity: The final maturity date of the Cassa di Risparmio di Cento Facility is June 27, 2020.

Interest: Three month EURIBOR plus a margin.

SIMEST Rebate: SIMEST provides an interest rate rebate for certain interest payable under this contract.

Guarantees: The Cassa di Risparmio di Cento Facility is unguaranteed.

Security: The Cassa di Risparmio di Cento Facility is unsecured.

Undertakings: The Cassa di Risparmio di Cento Facility contains customary undertakings.

Pre-Payment and Termination: The Agreement permits Cento to ask for the prepayment in case (i) the Company becomes insolvent; (ii) the Company decreases the guarantees given and (iii) occurs any events that can negatively affect the financial situation of the Company. Moreover, the agreement may be automatically terminated by Cento in case the Company (i) fails to pay any installments; (ii) breaches undertakings; (iii) is involved in enforcements proceedings; (iv) performs activities that may diminish the shareholders' equity; or (v) provides Cento documentation found to be false.

Banco do Brasil Facility

The Company entered into a promissory note agreement on October 10, 2013 with Banco do Brasil to provide for €1,020,000 to be repaid in ten installments. As of March 31, 2014, €816,000 was outstanding under this promissory note.

Interest: Fixed interest rate.

Maturity: The final maturity date of the Banco do Brasil Facility is October 17, 2017.

SIMEST Facility

The Company entered into the SIMEST Facility in 2009 to provide for €660,000 to be repaid in ten installments, with no payments for the first three years and semi-annual payments thereafter. As of March 31, 2014, €354,340 was outstanding under this agreement.

Governing Law:	The SIMEST Facility is governed by Italian law.
Maturity:	The final maturity date of the SIMEST Facility is May 31, 2017.
Interest:	Fixed interest rate.
Guarantees:	The SIMEST Facility is unguaranteed.
Security:	The SIMEST Facility is unsecured.
Undertakings:	The SIMEST Facility contains customary undertakings.
Pre-Payment and Termination:	The Agreement permits SIMEST to require prepayment of the loan if (i) the Company becomes insolvent; (ii) the Company does not use the financial proceeds for the predefined aims; or (iii) certain events occur that negatively affect the financial condition of the Company. Moreover, the agreement may automatically terminate if the Company (i) fails to pay; (ii) breaches undertakings; (iii) is involved in enforcement proceedings; or (iv) provides false documentation to SIMEST.

SIMEST Arrangements

SIMEST has partnered with us as a minority investor in certain of our subsidiaries. SIMEST was formed as an Italian joint stock company in 1991 to promote foreign investment by Italian companies and to provide technical and financial support for investment projects outside of the European Union. SIMEST is controlled by Cassa Depositi e Prestiti S.p.A. (an Italian investment company owned by the Italian Ministry of the Economy and Finance) and has several minority shareholders from the private sector, including Italian banks and trade associations. SIMEST's mandate is to administer various forms of public support for the international expansion of Italian firms.

Pursuant to its mandate, when making an investment, SIMEST can acquire up to 49% of the equity capital of the relevant foreign company (both directly and through its controlled venture capital fund ("**SVCF**")). In addition to providing equity capital, SIMEST also provides interest rate rebates on loans entered into by us to finance our portion of the equity interest in the relevant subsidiary.

To date, SIMEST has invested in six of our non-Italian subsidiaries. Each investment:

(i) has a term of approximately eight years, at the end of which SECI has undertaken to repurchase SIMEST's investment at a price (the "**Repurchase Price**") equal to the greater of (A) the total value of the original investment made by SIMEST and SVCF and (B) the pro rata value of the net equity of the relevant subsidiary held by SIMEST and SVCF;

(ii) accrues interest, payable annually by the Company; and

(iii) contains put and call options that can be exercised at the Repurchase Price starting three years prior to the end of the investment term.

Like the obligation to repurchase the equity at the end of the investment term, the put and call options are rights and obligations of our parent company, SECI. These obligations do not appear as debt on the consolidated balance sheet of the Company. However, following SECI's repurchase of such equity (whether at termination of the investment or in connection with the exercise of the put or call option), the Company may repurchase the equity interests in the relevant subsidiaries from SECI.

The table below summarizes our arrangements with SIMEST.

Subsidiary	Country	% held by SIMEST/SVCF	Contract Date – End Date	Date after which put/call option can be exercised	SIMEST and SVCF investments (annual interest expense)
African Gabions (Property) Ltd.	South Africa	43.8%	Oct. 25, 2010 – June 30, 2018	June 30, 2015	SIMEST: €1.5 million (6.25% p.a.) SVCF: €0.9 million (1.5% p.a.)
Maccaferri Balkans Sh.p.k.	Albania	19.0%	Dec. 27, 2010 – June 30, 2018	June 30, 2015	SIMEST: €0.2 million (6.25% p.a.) SVCF: €0.2 million (1.5% p.a.)
Maccaferri Asia Limited	China	42.5%	May 11, 2011 (initial investment)/Dec. 21, 2011 (capital increase) – June 30, 2019	June 30, 2016	SIMEST: €2.9 million (6.25% p.a.) SVCF: €1.1 million (1.5% p.a.) SVCF: €0.4 million (1.75% p.a.)
Maccaferri do Brasil Holding Participacoes Empresarias e Imobiliarias LTDA	Brazil	48.9%	Oct. 25, 2011 – June 30, 2019	June 30, 2016	SIMEST: €3.5 million (6.25% p.a.) SVCF: €0.4 million (2.0% p.a.)
Maccaferri Gabions CIS Ltd.	Russia	45.3%	May 1, 2012 – June 30, 2020	June 30, 2017	SIMEST: €1.6 million (6.75% p.a.) SVCF: €0.5 million (3.5% p.a.)
Maccaferri Philippines Manufacturing Inc.	Philippines	46.3%	May 7, 2013 – June 30, 2021	June 30, 2018	SIMEST: €1.3 million (7.25% p.a.)

Other Short-Term Facilities

The Company has also entered into various uncommitted short-term credit facilities, pursuant to which approximately €1.0 million is expected to be outstanding as of March 31, 2014 after giving *pro forma* effect to the Transactions. Actual amounts may vary based on fluctuations in working capital and applicable exchange rates. These credit lines are for use by certain of our subsidiaries in Indonesia, South Korea, Argentina and Nepal. It is expected that these credit lines will remain outstanding and will not be repaid with the proceeds of the issuance or otherwise terminated by us in connection with the Transactions.

Export Banca Facility

On September 19, 2013, the Issuer, S.E.C.I. Energia S.p.A., Eridania S.p.A., Manifatture Sigaro Toscano S.p.A., as borrowers (collectively, the "**Borrower Companies**"), and SECI as parent company of the Borrower Companies, entered into a facility agreement (the "**Export Banca Facility**") with Cassa Depositi e Prestiti S.p.A. ("**CDP**"), as lender, Banca Nazionale del Lavoro S.p.A. ("**BNL**"), as lender and agent bank, and with SACE S.p.A (**SACE**), as export bank guarantor of CDP, to provide for a credit facility for up to a total aggregate amount of €35.8 million. As of March 31, 2014, the Issuer had €21.9 million outstanding under the Export Banca Facility.

On or about the Issue Date the Issuer will irrevocably deposit a portion of the proceeds of the Offering into an escrow account in full satisfaction of the obligations of the Issuer under the Export Banca Facility (in an amount equal to the principal and interest costs owing by the Issuer thereunder). The funds will be released by October 2014, definitively extinguishing the Issuer's obligations thereunder.

ACC Facilities

Maccaferri do Brasil Ltda. ("**Maccaferri Brazil**") entered into three advance on exchange financing contracts (*Adiantamento sobre Contrato de Câmbio*) with Banco Bradesco S.A. on December 26, 2013 and January 31, 2014 and with Itau Unibanco S.A. on February 10, 2014 (the "**ACC Facilities**"). Pursuant to the ACC Facilities, Maccaferri Brazil is able to receive prepayment in Brazilian Real for products exported to other countries. As of March 31, 2014, approximately €5.3 million was outstanding under the ACC Faclities. The ACC Facilities are repaid pursuant to mandatory repayment schedules and, by the end of May 2014, approximately €2.9 million remained outstanding under the ACC Facilities. Although Maccaferri Brazil expects to repay the amounts outstanding under the ACC Facilities as soon as practicable following the Issue Date, because of the mandatory repayment schedules, it may not be possible to discharge the ACC Facilities in full prior to October 2014.

DESCRIPTION OF THE NOTES

The following is a description of the €200 million in aggregate principal amount of 5.75% senior notes due 2021 (the "**Notes**"). The Notes will be issued by Officine Maccaferri S.p.A., a joint-stock company established under the laws of Italy, having its registered office at Via J.F. Kennedy, 10, 40069, Zola Predosa (BO), Italy (the "**Issuer**"), pursuant to an indenture to be entered into on the Issue Date (the "**Indenture**") among, *inter alios*, the Issuer, the Guarantors (as defined below), Deutsche Trustee Company Limited, as trustee (the "**Trustee**"), Deutsche Bank AG, London Branch as paying agent and Deutsche Bank Luxembourg S.A., as registrar and transfer agent, in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Unless the context requires otherwise, references in this "Description of the Notes" to the Notes include the Notes and any Additional Notes (as defined below) that are issued under the Indenture. The terms of the Notes include those set forth in the Indenture. The Indenture will not incorporate or include any of, or be subject to, the provisions of the U.S. Trust Indenture Act of 1939, as amended.

Although the Indenture, the Notes and the Guarantees will be unsecured on the Issue Date, if the Indenture, the Notes and/or the Guarantees benefit from any future collateral or security interests, they may be subject to the terms of an intercreditor agreement. Please see the section entitled "*—Certain Covenants—Intercreditor Agreements*" for a summary of certain of the material terms of such intercreditor agreements.

The following description is a summary of the material provisions of the Indenture and the Notes. It does not restate the Indenture or the Notes in their entirety. We urge you to read the Indenture and the form of Note because they, and not the following description, define the rights of the holders of the Notes. Copies of the Indenture and the form of Note are available as set forth under "*Where you can find additional information*".

Certain defined terms used in this description but not defined below under "*—Certain Definitions*" have the meanings ascribed to them in the Indenture. You can find the definitions of certain terms used in this description under "*—Certain Definitions*". In this description the term "Issuer" refers only to Officine Maccaferri S.p.A. and not to any of its Subsidiaries. The words "we", "us", "our" and "group" each refer to the Issuer and its consolidated subsidiaries.

The Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent will be entitled to treat the registered holder of a Note as the owner of such Note for all purposes under the Indenture. Only registered holders of Notes will possess rights under the Indenture.

The Notes

The Notes will:

- be general senior unsecured obligations of the Issuer;
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated to the Notes;
- rank senior in right of payment to any and all future obligations of the Issuer that are subordinated to the Notes;
- be structurally subordinated to all Indebtedness, other obligations and claims of holders of preferred stock of the Issuer's subsidiaries that are not Guarantors;
- be effectively subordinated to all of the Issuer's obligations that are secured by assets of the Issuer to the extent of the value of the assets securing such obligations; and
- be guaranteed by the Guarantors, as described under "*—The Note Guarantees*".

The Note Guarantees

On the Issue Date the Notes will be guaranteed, subject to limitations under applicable law, on a senior basis by: Maccaferri do Brasil Ltda., BMD Texteis Ltda., Maccaferri Gabions CIS Ltd., Linear Composites Limited, Maccaferri Central Europe s.r.o., France Maccaferri S.A.S., Maccaferri de Bolivia LTDA, Maccaferri de Mexico, S.A. de C.V., Maccaferri China (Hong Kong) Co., Limited and Maccaferri Asia Limited (the "**Issue Date Guarantors**"). In addition, on or about the Issue Date, but in no event later than ten Business Days from the date upon which the Central Bank of Malaysia approves the giving of such guarantee, the Notes will be guaranteed, subject to limitations under applicable law, by Maccaferri (Malaysia) SDN BHD (together with the Issue Date Guarantors, the "**Initial Guarantors**").

In addition, pursuant to the covenant entitled "*—Additional Guarantees*", subject to certain limitations any Restricted Subsidiary that guarantees certain Indebtedness of the Issuer or any Guarantor, will also be required to become a Guarantor (collectively the "**Additional Guarantors**" and, together with the Initial Guarantors, the "**Guarantors**").

The Note Guarantees will be joint and several obligations of the Guarantors. The Note Guarantee of each Guarantor will:

- be a senior, unsecured obligation of the applicable Guarantor, to the full extent permissible under applicable law;
- rank *pari passu* in right of payment with all existing and future Indebtedness of that Guarantor that is not subordinated to that Guarantor's Note Guarantee;
- rank senior in right of payment to any future Indebtedness of that Guarantor that is subordinated in right of payment to that Guarantor's Note Guarantee;
- be effectively subordinated to that Guarantor's existing and future secured Indebtedness to the extent of the value of the property or assets securing such Indebtedness; and
- be structurally subordinated to all existing and future Indebtedness of any of that Guarantor's subsidiaries that do not guarantee the Notes.

As of the Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries". "**Restricted Subsidiary**" will be defined in the Indenture as any Subsidiary of the Issuer that is not an Unrestricted Subsidiary. However, under the circumstances described below under "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*", the Issuer will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries.

As of March 31, 2014, on a pro forma basis after giving effect to the offering of the Notes and the application of the proceeds therefrom (a) the Issuer and its Restricted Subsidiaries would have had outstanding Indebtedness of €226.2 million, of which €200.0 million would have been represented by the Notes and (b) the Restricted Subsidiaries that will not guarantee the Notes would have had outstanding Indebtedness of €7.7 million.

Although the Indenture will contain limitations on the amount of additional Indebtedness that the Issuer and the Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

Not all of the Issuer's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade or other creditors before they will be able to distribute any of their assets to the Issuer or any Guarantor, as their direct or indirect shareholder. For the twelve months ended March 31, 2014, the Issuer and the Guarantors indicated above represented 54.2% of the total revenues of the group and 54.0% of the EBITDA of the group and, as of March 31, 2014, the Issuer and the Guarantors indicated above represented 51.7% of the total assets of the group.

The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's non-guarantor Subsidiaries. Any right of any Guarantor or the Issuer to receive assets of any of the Issuer's non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be junior in right of payment to any security over the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer or such Guarantor.

The obligations of certain of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners in a given jurisdiction. In particular, the Note Guarantee of France Maccaferri S.A.S. (the "**French Guarantor**"), as a consequence of applicable French corporate law limitations, is limited to the aggregate principal amount made available to the French Guarantor and outstanding under the

intra-group loan in the amount of €500,000 granted to it. Any payment made by the French Guarantor under its Note Guarantee will reduce *pro tanto* the amount outstanding under such intra-group loan. See "*Limitations on validity and enforceability of the Note Guarantees and certain insolvency law considerations*" and "*Risk Factors—Risks related to the Notes and the Note Guarantees—The Note Guarantees are significantly limited by applicable laws and are subject to certain limitations and defenses that may adversely affect their validity and enforceability*" and "*Risk Factors—Risks related to the Notes and the Note Guarantees—The insolvency laws of Italy, Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia, Mexico and Hong Kong may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar*". By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See also "*Risk Factors—Risks related to the Notes and the Note Guarantees—The insolvency laws of Italy, Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia, Mexico and Hong Kong may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar*".

Principal, Maturity and Interest

The Issuer will issue €200 million in aggregate principal amount of Notes in this offering. The Issuer may issue additional Notes under the Indenture ("**Additional Notes**") from time to time after this offering; *provided* that Additional Notes will only be issued if fungible for U.S. federal income tax purposes or issued with separate Common Code and ISIN numbers, as applicable, from the Notes. The Notes may be issued in one or more series under the Indenture. Any issuance of Additional Notes is subject to all of the covenants contained in the Indenture, including the covenant described below under "*—Certain Covenants—Incurrence of Indebtedness and issuance of preferred stock*". The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuer will issue Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will mature on June 1, 2021.

Interest on the Notes will accrue at the rate of 5.75% per annum on the outstanding principal amount of the Notes and will be payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2014, subject to such dates being Business days for payment in the TARGET system and Italy and, if not, payments will be made on the immediately following Business day. The Issuer will make each interest payment to the holders of record on the immediately preceding May 15 and November 15.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Release of Note Guarantees

The Note Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;

(2) in connection with any sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of Capital Stock of that Guarantor (whether by direct sale or sale of a holding company) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;

(3) upon the designation of any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) as described under "*—Amendment, Supplement and Waiver*";

(5) in the case of an Additional Note Guarantee, upon the release or discharge of the Note Guarantee by such Guarantor of the Indebtedness that resulted in the creation of such Additional Note Guarantee pursuant to the covenant described under "*—Certain Covenants—Additional Guarantee*" (but not the release of any Note Guarantee in effect on the Issue Date);

(6) as a result of a transaction permitted by "*—Merger, Consolidation or Sale of Assets*";

(7) in accordance with an enforcement action pursuant to a Pari Passu Intercreditor Agreement, as described under "*—Intercreditor Agreement*";

(8) upon the solvent liquidation or winding up of a Guarantor, subject to prior compliance with the "Asset Sale" provisions of the Indenture (if applicable);

(9) upon legal defeasance, covenant defeasance or satisfaction and discharge as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*"; or

(10) upon repayment in full of all obligations of the Issuer and the Guarantors under the Indenture and the Notes.

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**") for the Notes in the City of London. The Issuer will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC. The initial Paying Agent will be Deutsche Bank AG, London Branch.

The Issuer will also maintain one or more registrars (each, a "**Registrar**") and a transfer agent (a "**Transfer Agent**"). The initial Registrar and Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of Notes (as defined herein) (the "**Register**") outstanding from time to time and facilitate transfer of Notes on behalf of the Issuer. The Paying Agent will make payments on the Definitive Registered Notes on behalf of the Issuer. Each Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change the Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Dublin, Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the "**144A Global Notes**"), and Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the "**Reg S Global Notes**" and together with the 144A Global Notes, the "**Global Notes**").

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to Persons that have accounts with Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream**") or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to Investors". In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream in accordance with customary procedures and will be subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Note, or the "**Restricted Book-Entry Interests**", may be transferred (i) to a person who takes delivery in the form of Book-Entry Interests in the 144A Global Note, or (ii) to a person who takes delivery in the form of Book-Entry Interests in the Reg S Global Note, or the "**Reg S Book-Entry Interests**", only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a

Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If definitive registered Notes in certificated form ("**Definitive Registered Notes**") are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required under the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as provided in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to the restrictions on transfer summarized below and described more fully under "Notice to Investors".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or any Guarantor under or with respect to its Note Guarantee will be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of such Taxes is then required by law. If any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor (including any successor entity) is then organized, incorporated, engaged in business for tax purposes or resident for tax purposes or any political subdivision thereof or therein, or any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any Paying Agent) (each, a "**Tax Jurisdiction**") will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Notes or any Guarantor under or with respect to its Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, if any, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by each holder after such deduction or withholding (including any such deduction or withholding in respect of such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; provided, however, that no Additional Amounts will be payable with respect to:

(1) any Taxes to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the relevant holder or a beneficial owner of the Notes (including a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the relevant Tax Jurisdiction (including being a citizen, resident or national or domiciliary of, or organized, incorporated or carrying on a

business in, or maintaining a permanent establishment in, or being physically present in such jurisdiction for tax purposes), other than any connection arising solely from the acquisition, ownership, holding, or disposition of Notes, the enforcement of rights under such Notes or under a Note Guarantee or the receipt of payment in respect of Notes or with respect to any Note Guarantee;

(2) any Taxes to the extent such Taxes are imposed as a result of the failure of the holder or a beneficial owner of the Notes to comply with any timely written request by the Issuer or any Guarantor to the relevant holder (made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 45 days before any such withholding or deduction would be required on payments to the holder or beneficial owner) to provide timely and accurate information concerning the nationality, residence, identity or connection with the relevant Tax Jurisdiction of such holder or beneficial owner or to make any valid and timely declaration, claim or certification, or to satisfy any other reporting requirement relating to such matters, whether required by statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding of, Taxes imposed by the Tax Jurisdiction (including a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally eligible to provide such certification or documentation;

(3) any Taxes to the extent such Taxes were imposed as a result of presentation of a Note for payment (where presentation is permitted or required) more than 30 days after the date on which the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(4) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Taxes;

(5) any Taxes imposed on a payment on a holder or beneficial owner and that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, any such directives;

(6) any Taxes to the extent imposed as a result of the presentation of any Note for payment by or on behalf of a holder of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(7) any Taxes payable other than by deduction or withholding from payments under or with respect to the Notes or any Note Guarantee;

(8) any Taxes that are imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), as of the Issue Date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code;

(9) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("**Legislative Decree No. 239**")) and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997; provided that:

   (i) Additional Amounts shall be payable in circumstances in which the procedures required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Issuer or any Guarantor or their agents; and

   (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (white list) and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of the approval of the ministerial Decree to be issued under art. 168 bis D.P.R.

No. 917 of 22nd December 1986 which may amend the list of the countries which allow for a satisfactory exchange of information with Italy, whereby such holder's country of residence does not appear on the new list; or

(10) any combination of items (1) through (9) above.

No Additional Amounts will be paid with respect to a payment under or with respect to any Note or any Note Guarantee to a holder that is a fiduciary or a fiscally transparent entity or any other person other than the beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary, a member of such fiscally transparent entity or the beneficial owner of such payment would not have been entitled to receive payment of the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the holder of the Note.

In addition to the foregoing, the Issuer and the Guarantors will pay and indemnify the holder for any present or future stamp, issue, registration, transfer, court or documentary Taxes, or any other excise or property Taxes, which are levied by a Tax Jurisdiction on the execution, delivery, issuance, registration or enforcement of any of the Notes, the Indenture, any Note Guarantee or any other document referred to therein (other than a transfer or exchange of Notes after this offering), or the receipt of any payments with respect thereto (limited solely, in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a relevant Tax Jurisdiction that are not excluded under clauses (1) through (6) or (8) through (9) above or any combination thereof).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of such payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders of the Notes on the relevant payment date. The Trustee shall be entitled to rely solely without further investigation or verification on such Officer's Certificate as conclusive proof that such payments are necessary. If requested by a holder or Paying Agent, the Issuer or the relevant Guarantor, as the case may be, will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of such Additional Amounts.

The Issuer or the relevant Guarantor (if it is the applicable withholding agent) will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant taxing authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain receipts from each taxing authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of such receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not available, other reasonable evidence of payments.

Whenever in the Indenture or in this "Description of the Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes, or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is organized, incorporated, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which payment on the Notes (or any Note Guarantee) is made by or on behalf of such Person and, in each case, any department or political subdivision thereof or therein.

Optional Redemption

At any time prior to June 1, 2017, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 10 nor more than 60 days'

notice, at a redemption price equal to 105.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering by the Issuer or a contribution to the Issuer's common equity capital with the net cash proceeds of a concurrent Equity Offering by the Issuer's direct or indirect Parent; provided that:

(1) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (excluding Notes held by the Issuer and its Subsidiaries and including any additional notes issued under the Indenture) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

At any time prior to June 1, 2017, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to "*—Redemption for Changes in Taxes*", the Notes will not be redeemable at the Issuer's option prior to June 1, 2017.

On or after June 1, 2017, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on June 1 of the years indicated below, subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2017	102.875%
2018	101.438%
2019 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice of redemption effected in accordance with the "Optional Redemption" provisions described above may, in the discretion of the Issuer, be subject to the satisfaction of one or more conditions precedent.

Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described below under "*—Selection and Notice*"), at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes or any Note Guarantee, the Issuer or the relevant Guarantor is or would be required to pay Additional Amounts (but, in the case of any Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can pay such amount, through the use of reasonable measures available to it, without the obligation to pay Additional Amounts), and the Issuer or the relevant Guarantor cannot avoid any such payment obligation by taking reasonable measures available to it (provided, that changing the jurisdiction of the Issuer or any Guarantor is not a reasonable measure for purposes of this paragraph), and the requirement arises as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation is publicly announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date)

(each of the foregoing clauses (1) and (2), constitute a "**Change in Tax Law**").

The Issuer will give any such notice of redemption not earlier than 60 days prior to the earliest date on which the Issuer or relevant Guarantor would be obligated to make such payment of Additional Amounts if a payment in respect of the Notes or any Note Guarantee were then due. Notwithstanding the foregoing, no notice of redemption shall be given unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Guarantor, or a successor to either, where applicable, will deliver to the Trustee (a) an opinion of independent tax counsel of recognized standing to the effect that the Issuer or relevant Guarantor has or will become obligated to pay Additional Amounts as a result of a Change in Tax Law and (b) an Officer's Certificate to the effect that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the Issuer or relevant Guarantor cannot avoid its obligation to pay Additional Amounts by the Issuer or relevant Guarantor taking reasonable measures available to it.

The Trustee will accept such opinion and Officer's Certificate as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

The foregoing provisions will apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to the Indenture.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes. The Issuer and its Restricted Subsidiaries may, from time to time, effect open market purchases of the Notes.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of that holder's Notes pursuant to an offer (a "**Change of Control Offer**") on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "**Change of Control Payment**"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within ten days following any Change of Control, the Issuer will mail a notice to each holder of the Notes or otherwise deliver a notice in accordance with the procedures described under "*—Selection and Notice*", with a copy to the Trustee, describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the date (the "**Change of Control Payment Date**") specified in such notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required under the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions set forth in the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions set forth in the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer; and

(4) deliver or cause to be delivered to the Paying Agent the Notes properly accepted.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each holder of Definitive Registered Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent appointed by it) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder of Definitive Registered Notes a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any, provided that each such new Note will be in an aggregate principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a holder of the Note's right to require the Issuer to repurchase such holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

Finally, the Issuer's ability to pay cash to the holders of the Notes following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks related to the Notes and the Note Guarantees— The Company may not be able to repurchase the Notes upon a change of control.*".

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if:

(1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer; or

(2) notice of redemption has been given under the Indenture as described above under "*—Optional Redemption*", unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Notes prior to the occurrence of the Change of Control.

For so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof and the rules of the Irish Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer as such rules require. For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution of the aforesaid publication and posting mechanisms.

Asset Sales

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liability, contingent or otherwise) in connection with the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received by the Issuer or such Restricted Subsidiary in connection with the Asset Sale is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the most recent consolidated balance sheet of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases the Issuer or such Restricted Subsidiary from or indemnifies against further liability;

(b) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are, within 180 days following the closing of such Asset Sale, subject to ordinary settlement periods, converted by the Issuer or such Restricted Subsidiary into cash to the extent of the cash or Cash Equivalents received in that conversion;

(c) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant;

(d) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other Restricted Subsidiary are released from or indemnified against any liability under any Guarantee or other similar obligation provided in respect of such Indebtedness in connection with such Asset Sale;

(e) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary received from Persons who are not the Issuer or any Restricted Subsidiary; and

(f) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €10.0 million and 19.3% of Consolidated EBITDA of the Issuer (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

(1) to repay, repurchase, prepay or redeem (i)(a) Indebtedness of a Restricted Subsidiary that is not a Guarantor, (b) Indebtedness incurred under clause (2) of the second paragraph of the covenant described below under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (c) Indebtedness of the Issuer or any Restricted Subsidiary that is secured by a Lien; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (i) (other than in respect of Indebtedness incurred under the Factoring Facility pursuant to clause (2) of the second paragraph of the covenant described below under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*"), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased, or (ii) to prepay, repay or purchase *pari passu* Indebtedness; provided that the Issuer shall redeem, repay or repurchase *pari passu* Indebtedness pursuant to this clause (ii) only if the Issuer makes (at such time or subsequently in compliance with this covenant) an offer to the holders of the Notes to purchase their Notes in accordance with the provision set forth below for an Asset Sale Offer (as defined below) for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such *pari passu* Indebtedness;

(2) to acquire all or substantially all of the assets of, or the majority of the Voting Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Issuer;

(3) to make a capital expenditure in any Permitted Business;

(4) to acquire other assets (other than Capital Stock) that are not classified as current assets under GAAP and that are used or useful in a Permitted Business; or

(5) any combination of (1) through (4) above.

provided, *however*, that (except with regards to clause (1) above) any such application of Net Proceeds made pursuant to a definitive agreement executed within 365 days following the date of the Asset Sale will satisfy this requirement even if the application of Net Proceeds occurs more than 365 days after the Asset Sale so long as the application of Net Proceeds is consummated within 180 days of the execution of the definitive agreement.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph or third paragraph of this covenant will constitute "**Excess Proceeds**". When the aggregate amount of Excess Proceeds exceeds €15.0 million, within 10 Business days thereof, the Issuer will make an offer (an "**Asset Sale Offer**") to all holders of Notes and, to the extent the Issuer elects, to all holders of other Indebtedness ranking *pari passu* with the Notes or any Note Guarantees to purchase, prepay or redeem in an amount equal to such Excess Proceeds the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer or its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased, prepaid or redeemed on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Asset Sale Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business days following its commencement (the "**Asset Sale Offer Period**"). No later than five Business days after the termination of the Asset Sale Offer Period (the "**Asset Sale Purchase Date**"), the Issuer will purchase the aggregate principal amount of Notes, and, to the extent it elects, Indebtedness ranking *pari passu* with the Notes required to be purchased pursuant to this covenant (the "**Asset Sale Offer Amount**") or, if less than the Asset Sale Offer Amount has been so validly tendered, all Notes and *pari passu* Indebtedness validly tendered in response to the Asset Sale Offer.

On or before the Asset Sale Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Sale Offer Amount of Notes and *pari passu* Indebtedness or portions of Notes and such *pari passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Sale Offer, or if less than the Asset Sale Offer Amount has been validly tendered and not properly withdrawn, all Notes and *pari passu* Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Asset Sale" provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under any such provision of the Indenture by virtue of such compliance.

The agreements governing the Issuer and its Restricted Subsidiaries' Indebtedness contain, and future agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Issuer to repurchase Notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Issuer. In the event a Change of Control or Asset Sale occurs at a time when the Issuer is prohibited from purchasing Notes, the Issuer could seek the consent of its lenders under the facilities prohibiting such repurchase to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain a consent or repay those borrowings, the Issuer will remain prohibited from purchasing Notes. In that case, the Issuer's failure to purchase tendered Notes would constitute an Event of Default under the Indenture, which, in turn, could constitute a default under the other Indebtedness.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee or the Registrar will select Notes for redemption on a *pro rata* basis (or, in the case of Notes issued in global form, as discussed under "*Book-Entry, Delivery and Form*", based on a method that most nearly approximates a *pro rata* selection) unless otherwise required by law or applicable stock exchange or depositary requirements. No Notes of €100,000 or less can be redeemed in part. Neither the Trustee nor the Registrar will be liable for any selections made in accordance with this paragraph. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. For so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be supplied to the Irish Stock Exchange and are expected to be published on the official website of the Irish Stock Exchange (*www.ise.ie*).

Certain Covenants

Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (i) dividends or distributions payable in Qualifying Equity Interests of the Issuer or in Subordinated Shareholder Debt and (ii) dividends or distributions payable to the Issuer or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect Parent of the Issuer, in each case held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Obligation (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated

Maturity thereof or the purchase, redemption, defeasance or other acquisition or retirement of Indebtedness purchased in anticipation of satisfying a scheduled sinking fund obligations, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, redemption, defeasance or other acquisition or retirement; or

(4) make any Restricted Investment,

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "**Restricted Payments**"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Issuer would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under "*—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (9), (11), (12), (13) and (14) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the first day of the fiscal quarter in which the Issue Date occurs to the end of the Issuer's most recently ended fiscal quarter for which financial statements are available to holders of Notes at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, minus 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests of the Issuer, or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case, that have been converted into or exchanged for Qualifying Equity Interests of the Issuer (other than (x) Excluded Contributions and (y) Qualifying Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Issuer) or from the issue or sale of Subordinated Shareholder Debt; *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date is (A) sold, disposed of, redeemed, retired, acquired or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Issuer or any Restricted Subsidiary (other than from a Person that is the Issuer or a Restricted Subsidiary), or (B) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Issuer and its Restricted Subsidiaries, determined as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is re-designated as a Restricted Subsidiary or otherwise merges, consolidates, amalgamates with or into, the Issuer or a Restricted Subsidiary after the Issue Date, the lesser of (A) the Fair Market Value of the Issuer's Restricted Investment in such Subsidiary, determined as of the date of such re-designation, merger, consolidation, amalgamation or liquidation or (B) the Fair Market Value of the Issuer's investment in such Subsidiary as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Issue Date to the extent such investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) 100% of any dividends received in cash by the Issuer or any Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Issuer for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Qualifying Equity Interests of the Issuer or Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer; provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will not be considered to be net proceeds of Qualifying Equity Interests for purposes of clause (c)(ii) of the preceding paragraph and will not be considered Excluded Contributions or to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;

(3) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Issuer to the holders of its Equity Interests, provided that if the Issuer or any Restricted Subsidiary is a holder of such Equity Interests it shall receive no less than a *pro rata* share of such dividend;

(4) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations (other than Subordinated Shareholder Debt) with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(5) the purchase, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary of the Issuer held by any current or former officer, director or employee of the Issuer or any Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €2.0 million in any twelve-month period (with unused amounts in any twelve-month period rolled-over and available in the next succeeding twelve-month period); plus the net cash proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Equity Interests to a Parent) from, or as a contribution to the equity (in each case under this clause (5), other than through the issuance of Disqualified Stock) of the Issuer from, the issuance or sale to Management Investors of Equity Interests (including any options, warrants or other rights in respect thereof) or Subordinated Shareholder Debt, to the extent such net cash proceeds have not otherwise been designated as Excluded Contributions or are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and, provided further, that the cancellation of Indebtedness owing to the Issuer from any current or former officer, director or employee (or any permitted transferees thereof) of the Issuer or any Restricted Subsidiaries (or any direct or indirect parent company thereof), in connection with a repurchase of Equity Interests of the Issuer from such Persons will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provisions of the Indenture;

(6) the purchase, repurchase, redemption, defeasance or other acquisition of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(7) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary of the Issuer issued on or after the Issue Date in accordance with the covenant described below under "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(8) dividends, loans, advances, distributions or other payments by the Issuer or any Restricted Subsidiary to a Parent or an Unrestricted Subsidiary pursuant to a tax sharing agreement, if and for so long as such Parent or Unrestricted Subsidiary is a member of a group filing a consolidated or combined tax return with the Issuer or such Restricted Subsidiary, up to an amount not to exceed the amount of any Taxes measured by income that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate-company basis (or on the basis of a consolidated, combined, affiliated or unitary group for tax purposes consisting only of the Issuer and its Restricted Subsidiaries); provided that the related Tax liabilities of the Issuer and its Restricted Subsidiaries are relieved thereby;

(9) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (a) the exercise of options or warrants or (b) the conversion or exchange of Capital Stock of any such Person;

(10) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any parent entity to pay, dividends on or repurchases, redemptions, acquisitions or retirements of, the common stock or common equity interests of the Issuer or any parent entity following a Public Offering of such common stock or common equity interests not to exceed in any fiscal year the greater of (a) 6% of the net cash proceeds of such Public Offering and any subsequent Equity Offering received by the Issuer or a Restricted Subsidiary or contributed to the equity of the Issuer or a Restricted Subsidiary (except to the extent that such proceeds are designated as constituting an Excluded Contribution) and (b) 5% of the Market Capitalization;

(11) (a) the making of any payments, loans and distributions as described under "Use of Proceeds" in this Offering Memorandum on or about the Issue Date; and (b) any Restricted Payment made by the Issuer to the Parent in connection with the receivable held by the Issuer in respect of the SECI Loan by way of an amendment and/or extension and/or offset and/or discharge (including by way of exchange, sale or substitution or forgiveness) or any other action in relation to the SECI Loan (including any accrued and unpaid interest thereon);

(12) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(13) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) Parent Entity Expenses; and

(15) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed €15.0 million since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not cause or permit any Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Issuer or a Restricted Subsidiary may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Issuer may issue Disqualified Stock and any Restricted Subsidiary may issue shares of preferred stock, in each case if the Fixed Charge Coverage Ratio at the time of such incurrence or issuance, after giving pro forma effect to such incurrence or issuance as of such date and to the use of proceeds therefrom as if the same had occurred at the beginning of the Issuer's most recently ended full four fiscal quarters for which internal financial statements are available would have been at least equal to 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Indebtedness**"):

(1) the incurrence by the Issuer or any Restricted Subsidiaries of Existing Indebtedness;

(2) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness under Credit Facilities in a combined principal amount at any one time outstanding under this clause (2) not to exceed €50.0 million, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (2) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing, *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Issuer or any Restricted Subsidiary since the Issue Date to repay any Indebtedness under the Credit Facilities and effect a corresponding commitment reduction

thereunder pursuant to the covenant described above under the caption "—*Asset Sales*", *provided that* in no event shall such reduction reduce the availability under this clause (2) to less than €25.0 million at any time outstanding;

(3) Indebtedness of the Issuer and the Guarantors represented by the Notes issued on the Issue Date and the related Note Guarantees;

(4) the incurrence by the Issuer or any Restricted Subsidiaries of Indebtedness represented by (A) Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of the Issuer or any Restricted Subsidiaries or (B) Indebtedness otherwise incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Permitted Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of €15.0 million and 29.0% of Consolidated EBITDA of the Issuer at any time outstanding;

(5) the incurrence by the Issuer or any Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (1), (3), (5) or (11) of this paragraph;

(6) the incurrence by the Issuer or any Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any Restricted Subsidiaries; *provided*, *however*, that:

    (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or any Guarantor, such Indebtedness must be ((i) except in respect of (A) the intercompany current liabilities incurred in the ordinary course of business in connection with cash management positions of the Issuer and the Restricted Subsidiaries or (B) Indebtedness of the Issuer or any Guarantor incurred in respect or as a result of the receipt by the Issuer or the Guarantor of amounts in advance of payments and/or dividends and/or other payments by a Restricted Subsidiary which, in the good faith judgment of the Issuer, are anticipated to be made to and/or recovered by the Issuer or the relevant Guarantor in the future, and where such advance payment made by the Restricted Subsidiary to the Issuer or the Guarantor is not made with the proceeds of an incurrence of Indebtedness by such Restricted Subsidiary; and (ii) only to the extent legally permitted) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the relevant Note Guarantee, in the case of a Guarantor; and

        (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and

        (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary,

will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Issuer or to any Guarantor of shares of preferred stock; provided, however, that:

    (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Guarantor; and

    (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Guarantor, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Issuer or any Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(9) (a) the guarantee by the Issuer or any Restricted Subsidiaries of Indebtedness of the Issuer or a Restricted Subsidiary, in each case to the extent that the guaranteed Indebtedness was permitted to be

incurred by another provision of this covenant; provided that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or any Note Guarantee, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed or (b) without limiting the covenant described under "—*Certain Covenants—Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture (other than pursuant to this clause (9));

(10) the incurrence by the Issuer or any Restricted Subsidiaries of Indebtedness (whether contingent or non-contingent) in respect of (a) workers' compensation claims; self-retention or self-insurance obligations; insurance premiums; release, appeal, surety and similar bonds; letters of credit, surety, performance or appeal bonds, bid bonds, advance bonds or similar instruments, customs, VAT or other tax guarantees and related obligations and completion guarantees or similar instruments, in each case in this clause 10(a) incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations incurred in the ordinary course of business or in respect of any regulatory requirement; *provided, however*, that upon the drawing of such letters of credit or similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(11) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiaries or (ii) incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided*, *however*, with respect to this clause (11), that at the time of such acquisition or other transaction (i) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to the incurrence of such Indebtedness pursuant to this clause (11) or (ii) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving pro forma effect to such acquisition or other transaction;

(12) the incurrence by the Issuer or any Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds, so long as such Indebtedness is covered within 30 business days of incurrence;

(13) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, *provided* that, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(14) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of (a) judgment, customs, advance tax payments, VAT or other tax guarantees or similar instruments issued in the ordinary course of business, (b) bankers' acceptances, discontinued bills of exchange or other similar instruments or obligations issued or relating to liabilities or obligations incurred in the ordinary course of business and (c) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;

(15) Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not recourse to the Issuer or any of its Restricted Subsidiaries other than a Receivables Subsidiary (except for Standard Securitization Undertakings); and

(16) the incurrence of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (16), not to exceed the greater of €15.0 million and 29.0% of Consolidated EBITDA of the Issuer at any time outstanding.

Notwithstanding anything to the contrary contained herein, the aggregate principal amount of Indebtedness (excluding any interest paid in kind) that is permitted to be incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clauses (2) and (16) of the second paragraph of this covenant and without double counting, including all Indebtedness incurred by a Restricted Subsidiary that is not a Guarantor to redeem, refund, repay, replace, defease or discharge such Indebtedness, shall not exceed at any one time outstanding an amount equal to the greater of €25.0 million and 48.4% of Consolidated EBITDA of the Issuer on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom).

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in the first paragraph above or in clauses (1) through (16) in the definition thereof, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence or to later reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant; *provided* that Indebtedness outstanding under the Existing Facilities on the Issue Date after application of the proceeds from the issuance of the Notes will initially be deemed to have been incurred on such date pursuant to clause (1) of the definition of Permitted Indebtedness and may not be reclassified. The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Issuer as accrued. If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this covenant, the Issuer shall be in default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

    (a) the Fair Market Value of such assets at the date of determination; and

    (b) the amount of the Indebtedness of the other Person.

Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to create, incur, assume or otherwise suffer to exist any Lien of any kind securing Indebtedness upon any of their property or assets, except (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens (an "**Initial Lien**") if the Notes and the Note Guarantees are secured equally and ratably with (or prior to, in the case of Liens with respect to Indebtedness which is contractually subordinated in right of payment to the Notes or any Note Guarantees), the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured.

Any such Lien created in favor of the Notes or any Note Guarantee will be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien to which it relates.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuer will not, and will not permit any of its Restricted Subsidiaries to create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;

(2) make loans or advances to the Issuer or any Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any preferred stock in receiving dividends, liquidation proceeds or distributions prior to dividends, liquidation proceeds or distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(a) agreements governing the Existing Facilities and Existing Indebtedness as in effect or entered into on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(b) the Indenture, the Notes and the Note Guarantees;

(c) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; provided that the restrictions therein are not materially more restrictive, taken as a whole than is customary in comparable financings (as determined in good faith by the Issuer);

(d) applicable laws, rules, regulations or orders or the terms of any license, authorization, concession, franchise or permit or other similar arrangement;

(e) any instrument governing Indebtedness or Capital Stock of a Person acquired by, merged, consolidated or otherwise combined with the Issuer or any Restricted Subsidiaries as in effect at the time of such acquisition, merger, consolidation or other combination (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition, merger, consolidation or other combination), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(f) customary non-assignment and similar provisions in contracts, leases and licenses, joint venture agreements or other similar arrangements entered into in the ordinary course of business;

(g) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(h) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition, provided that such sale or disposition is made in accordance with the covenants described under the caption "*—Repurchase at the Option of Holders—Asset Sales*";

(i) Permitted Refinancing Indebtedness; provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(j) Liens permitted to be incurred under the provisions of the covenant described above under "*—Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(k) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(l) any encumbrances or restrictions effected in connection with any factoring, sale of future credit rights or securitization transaction undertaken in the ordinary course of business and consistent with past practices (including any Recourse Factoring or Securitization) or any Qualified Receivables Financing;

(m) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(n) any encumbrance or restriction (i) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract (ii) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or (iii) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary; and

(o) any agreement, encumbrance or restriction that extends, renews, refinances or replaces any of the encumbrance or restriction referred to in clauses (a) through (n) of this paragraph or this clause (o) or contained in any amendment, supplement or other modification to an agreement referred to in clauses (a) through (n) of this paragraph or this clause (o); *provided*, *however*, that such encumbrances and restrictions contained in any such agreement, encumbrance or restriction are not more materially restrictive, taken as a whole, than the encumbrances and restrictions so extended, refinanced, replaced, amended, supplemented or modified, or will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes (in each case, as determined in good faith by the Issuer).

Merger, Consolidation or Sale of Assets

The Issuer will not, directly or indirectly consolidate or merge with or into another Person (whether or not the Issuer is the surviving entity), or sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of the any member state of the European Union or the United States, any state of the United States or the District of Columbia, Canada or any province of Canada, Switzerland or Norway;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Notes, the Indenture and any intercreditor agreement;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, immediately after such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four quarter period either (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (ii) have a Fixed Charge Coverage Ratio no less than it was immediately prior to giving effect to such transaction; and

(5) the Issuer delivers to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding instrument enforceable against the Issuer or the surviving corporation, in each case in form reasonably satisfactory to the Trustee.

Any Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indenture as described under "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*") will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation), or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) a Guarantor is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than a Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Guarantor under its Note Guarantee; and

(2) immediately after giving pro forma effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving corporation as a result of such transaction as having been incurred by the surviving corporation at the time of such transaction or transactions), no Default or Event of Default exists;

This "Merger, Consolidation or Sale of Assets" covenant will not apply to (a) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor into the Issuer or a Guarantor; (b) any consolidation or merger among Guarantors or among Restricted Subsidiaries that are not Guarantors; and (c) any consolidation or merger among the Issuer and any Guarantor. Clauses (3) and (4) of the first paragraph and clause (2) of the second paragraph of this covenant will not apply to any merger or consolidation of the Issuer or any Guarantor with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction; *provided* that the Person formed by or surviving such merger or consolidation (if other than the Issuer or such Guarantor) assumes all the obligations of the Issuer or such Guarantor under the Indenture, the Notes, the Note Guarantees and any intercreditor agreement, as applicable. The foregoing provisions (other than the requirements of clause (3) of the first paragraph and clause (2) of the second paragraph of this covenant) shall not apply to any transactions which constitute an Asset Sale if the Issuer and its Restricted Subsidiaries have complied with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*".

Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiaries to, make any payments to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an "**Affiliate Transaction**") involving aggregate payments or consideration in excess of €2.5 million, unless:

(1) the Affiliate Transaction is on terms, taken as a whole, that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary, as the case may be, with an unrelated Person; and

(2) the Issuer delivers to the Trustee:

  (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €10.0 million, evidence that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer; and, in addition,

  (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €20.0 million, a written opinion issued by an accounting, appraisal or investment banking firm of international standing (i) as to the fairness to the Issuer or such Subsidiary of such Affiliate Transaction from a financial point of view taking into account all relevant circumstances, or (ii) that the terms of such Affiliate Transaction are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that could reasonably have been obtained in a comparable transaction at such time by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's length basis.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Issuer or any Restricted Subsidiaries with any of its directors, officers or employees in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among the Issuer and/or its Restricted Subsidiaries;

(3) transactions between or among the Issuer and/or its Restricted Subsidiaries and any Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer or a Restricted Subsidiary solely because the Issuer or a Restricted Subsidiary either controls (including pursuant to a joint venture or shareholders agreement), can designate one or more Persons to the Board of Directors of or owns, directly or indirectly, an Equity Interest in such Person;

(4) any issuance of Qualifying Equity Interests of the Issuer to Affiliates of the Issuer;

(5) Restricted Payments that do not violate the provisions of the Indenture described above under "—*Certain Covenants—Restricted Payments*" and Permitted Investments (other than Permitted Investments under clauses (3), (10) and (13) of the definition thereof);

(6) transactions between or among (i) the Issuer and/or its Restricted Subsidiaries and (ii) any joint venture or similar entity which would constitute an Affiliate Transaction solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such joint venture or similar entity;

(7) transactions pursuant to or contemplated by, any agreement in effect on the Issue Date and described in this Offering Memorandum under the heading "*Certain Relationships and Related Party Transactions*" and transactions pursuant to any amendment, modification, renewal, refinancing or extension to such agreement, so long as such amendment, modification, renewal, refinancing or extension, taken as a whole, is not materially more disadvantageous to the holders of the Notes than the original agreement as in effect on the Issue Date;

(8) transactions effected as part of (a) any factoring or securitization transaction (including any Recourse Factoring or Securitization) undertaken in the ordinary course of business and consistent with past practices; and (b) a Qualified Receivables Financing

(9) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services (including financial advisory services) or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of this Indenture that are fair to the Issuer or the Restricted Subsidiaries, in the reasonable determination of the senior management of the Issuer, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(10) any Management Advances and any waiver or transaction with respect thereto;

(11) (a) the entry into and performance of any tax sharing agreement entered into for the purpose of pooling, sharing or consolidating taxes with any Parent or an Unrestricted Subsidiary or (b) the formation and maintenance of any consolidated group for customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business, *provided that*, in each case, any payments made thereunder by the Issuer or any Restricted Subsidiary are not prohibited by, and without duplication of, the covenant entitled "*—Certain Covenants—Restricted Payments*";

(12) payment of reasonable and customary fees and other compensation arrangements and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Issuer or any Restricted Subsidiary or any Parent of the Issuer (to the extent that such parent entity renders services to the businesses of the Issuer and its Restricted Subsidiaries);

(13) the repurchase or other retirement for value of Equity Interests in Restricted Subsidiaries in connection with any put/call agreements entered into by such Restricted Subsidiary with management or directors of such Restricted Subsidiary in the ordinary course of business and otherwise in compliance with clause (1) of the first paragraph of this covenant;

(14) the incurrence of Subordinated Shareholder Debt; and

(15) Parent Entity Expenses.

For the avoidance of doubt, for purposes of determining whether a certain Hedging Obligation exceeds any of the thresholds set forth herein, when calculating the payments or consideration in respect of the entering into of any Hedging Obligation, the value shall be the financing fees and the mark-to-market value on the date of the contract, without regard to the notional amount of such contract.

Business Activities

The Issuer will not, and will not permit any Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Additional Guarantees

The Issuer will not cause or permit the Issuer or any of its Restricted Subsidiaries that is not a Guarantor, directly or indirectly, to guarantee any Indebtedness of the Issuer or any Guarantor under any Credit Facilities or any other Public Debt unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Note Guarantee by such Restricted Subsidiary (an "**Additional Guarantee**") which Note Guarantee will be on the same terms and conditions as those set forth in the Indenture and either *pari passu* with or senior to such Restricted Subsidiary's guarantee of such other Indebtedness. Any Restricted Subsidiary other than the Guarantors as of the Issue Date that guarantee the Notes shall be referred to as a "Additional Guarantor" hereunder.

Each Additional Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purposes, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent and for so long as the incurrence of such Note Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the Officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Note Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or a Restricted Subsidiary.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default.

If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under "*—Certain Covenants—Restricted Payments*" or under one or more clauses of the definition of "Permitted Investments", as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if such redesignation would not cause a Default.

Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing therewith a certified copy of a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under "*—Certain Covenants—Restricted Payments*". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary, for purposes of the Indenture and any

Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*", the Issuer will be in default of such covenant. The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Issuer; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Issuer of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described above under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*", calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period, and (2) no Default or Event of Default would be in existence following such designation.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee and post on the Issuer's website:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2014, annual reports containing (to the extent applicable) the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited pro forma income statement and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such pro forma information has been provided in a previous report pursuant to clause (2) or (3) below (*provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials)); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by lines of business), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a summary description of the business, management and shareholders of the Issuer, and material affiliate transactions and material debt instruments; (e) material risk factors; and (f) a summary of material recent developments;

(2) within 60 days (or in the case of the fiscal quarters ending June 30, 2014 and September 30, 2014, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending June 30, 2014, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Issuer, together with condensed footnote disclosure; (b) unaudited pro forma income statement and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (provided that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials); (c) an operating and financial review of the unaudited financial statements (including a discussion by lines of business), including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between the current quarterly period and the corresponding period of the prior year; and (d) a summary of material recent developments; and

(3) promptly after the occurrence of: (a) a material acquisition, disposition or restructuring; (b) any senior management change at the Issuer; (c) any change in the auditors of the Issuer or determination that investors should no longer rely upon previously issued financial statements, audited reports or a completed interim review; (d) any resignation of a member of the Board of Directors of the Issuer as a result of a disagreement with the Issuer or; (e) any material events that the Issuer announces publicly including, in each case, a report containing a description of such event.

In addition, if the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All financial statements shall be prepared in accordance with GAAP as in effect on the date of such report or financial statement (or otherwise on the basis of GAAP as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable GAAP, present earlier periods on a basis that applied to such periods.

Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Notes remain outstanding, and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Intercreditor Agreements

At the request of the Issuer, at the time of, or prior to, any time that the Issuer or any of its Restricted Subsidiaries incurs or guarantees any Indebtedness to be secured by a Lien on assets of the Issuer or any of its Restricted Subsidiaries permitted to be incurred under the covenant described above under "*—Certain Covenants—Liens*" ("*Pari Passu Indebtedness*"), which assets (the "*Shared Collateral*") will also ratably secure the Notes and/or a Guarantee, the Issuer or the relevant Restricted Subsidiary, the Trustee and the relevant security agent will enter into an intercreditor agreement (each a "*Pari Passu Intercreditor Agreement*") in respect of the Shared Collateral with the other creditors sharing the benefit of such Lien (together with the holders of the Notes, the "*Pari Passu Creditors*") (or their agent, representative or trustee), containing provisions which reflect the following (together, the "*Fundamental Intercreditor Rights*"):

(i) Obligations under the Notes and the Guarantees shall rank *pari passu* in all respects with any Pari Passu Indebtedness and any obligations under hedging agreements permitted to be secured on a senior ranking basis, including in respect of the Shared Collateral (and shall share pro rata in the net proceeds thereof arising by virtue of the enforcement of the Shared Collateral).

(ii) Any Pari Passu Intercreditor Agreement shall not restrict payments in respect of any obligations under Pari Passu Indebtedness or obligations under the Notes or the Guarantee (together, the "*Pari Passu Creditor Obligations*") except that, following the occurrence of an acceleration event under any Pari Passu Indebtedness or the Notes under the Indenture or certain events of bankruptcy or insolvency, none of the Issuer, the Issuer or the Restricted Subsidiaries (the "*Debtors*") may make and no Pari Passu Creditors may receive payments of the Pari Passu Creditor Obligations except amounts properly distributed in accordance with such Pari Passu Intercreditor Agreement.

(iii) Upon any of the Liens becoming enforceable, enforcement decisions under the Shared Collateral documents will be made by the Pari Passu Creditors constituting at least a majority (50% + €1.00) of the Pari Passu Creditor Obligations (the "*Instructing Group*"), on a euro-for-euro basis, provided that the holders of the Notes and any class of Pari Passu Creditors shall be entitled to vote on enforcement decisions regardless of whether a default or event of default has occurred or is continuing under the respective indenture or credit agreement. No Pari Passu Creditor shall have any independent right to enforce any of the Liens or to instruct or require the security agent to enforce any of the Shared Collateral documents except as instructed by the Instructing Group. Any instructions given by the Instructing Group will be binding on all of the Pari Passu Creditors; *provided* that any instructions concerning the enforcement of the Shared Collateral governed by Italian law may include the right of the Trustee to take any available enforcement action together with the security agent to the extent necessary pursuant to applicable Italian law.

(iv) The Pari Passu Intercreditor Agreement will contain customary turnover provisions.

(v) The Pari Passu Intercreditor Agreement shall include provisions such that if, for any reason, any of the Pari Passu Creditor Obligations remain unpaid after the date enforcement action is taken and the

resulting losses are not borne by the Pari Passu Creditors in the proportions which their respective exposures at such enforcement date bore to the aggregate exposures of all of the Pari Passu Creditors at such enforcement date, the Pari Passu Creditors will make such payments among themselves as the security agent shall require to put the Pari Passu Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions. The note trustee will not be required to make payments if it has distributed amounts received to holders of the Notes and did not have actual notice on the date of such distribution of the obligation to make such equalization payments.

(vi) If in relation to any request for a vote, action or decision to be taken by any group of Pari Passu Creditors as required under the Pari Passu Intercreditor Agreement (including, without limitation, for the purpose of constituting the Instructing Group as defined above), any Pari Passu Creditor within such respective class fails to vote in favor of or against such request, or fails to provide details of its relevant participation or liabilities owed to it to the security agent within 30 Business Days from the date on which notice of such request, action or decision was given to all the Pari Passu Creditors then eligible to vote thereon, then that Pari Passu Creditor's participation and/or liabilities owed to it shall be deemed to be zero for the purpose of calculating the relevant total participations and/or liabilities when ascertaining whether any relevant percentage has been obtained to carry that vote or approve that action or decision.

(vii) Any Pari Passu Intercreditor Agreement shall permit, on customary terms, any Pari Passu Creditor Obligations to be refinanced with other senior secured equal ranking debt and for such new indebtedness to be rank equally with other Pari Passu Creditor Obligations (including sharing in the security under the Liens), provided that such debt is permitted to be incurred under the terms of the relevant credit documentation in respect of any Pari Passu Creditor Obligations that will remain following such refinancing.

(viii) Any Pari Passu Intercreditor Agreement shall be governed by the laws of England and Wales.

The Shared Collateral will only be released, and Liens will only be granted on the assets the subject of the Shared Collateral, to the extent permitted under (or not prohibited by) both the Indenture and the documents governing the terms of the Pari Passu Indebtedness, and the terms for release of the Shared Collateral will be substantially similar to the terms of the release of the Guarantees in the Indenture.

Each Pari Passu Intercreditor Agreement will have an intercreditor agent or security agent who acts on behalf of all of the holders of the Pari Passu Indebtedness and the Notes, the Trustee and any of their agents.

Any Pari Passu Intercreditor Agreement may contain provisions in addition to those described above to the extent necessary or desirable to enable the Issuer or any of its Subsidiaries to enter into and consummate corporate, financing and other transactions. Provided such provisions do not conflict with the Fundamental Intercreditor Rights described above, and provided that such Pari Passu Intercreditor Agreement contains such provisions as are customarily requested by note trustees when entering into intercreditor agreements on behalf of noteholders, the Trustee shall enter into such Pari Passu Intercreditor Agreements on behalf of the holders of Notes.

The Indenture will provide that, at the written direction of the Issuer and without the consent of the holders of the Notes, the Trustee may from time to time enter into one or more amendments to any Pari Passu Intercreditor Agreement or deed to: (i) cure any ambiguity, defect or inconsistency therein; (ii) increase the amount of Indebtedness of the types covered by the Pari Passu Intercreditor Agreement in a manner not prohibited by the Indenture and in a manner substantially consistent with the ranking and terms of such Pari Passu Intercreditor Agreement; (iii) add Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iv) make any change necessary or desirable, in the good faith determination of the Board of Directors of the Issuer, in order to implement any transactions permitted under the caption "*—Certain Covenants—Merger, Consolidation, or Sale of Assets*"; *provided* that such change does not adversely affect the Fundamental Intercreditor Rights of any holder of the Notes in any material respect; or (v) make any other such change thereto that does not in any material respect adversely affect the Fundamental Intercreditor Rights of any holder of the Notes. The Issuer shall not otherwise direct the Trustee to enter into any amendment to any Pari Passu Intercreditor Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendment, Supplement and Waiver*" and shall not direct the Trustee to enter into any amendment to any Pari Passu Intercreditor Agreement which adversely affects the rights or immunities of the Trustee.

Any Pari Passu Intercreditor Agreement may be terminated at the option of the Issuer if at the date of such termination the Pari Passu Indebtedness covered thereby has been repaid or refinanced or otherwise discharged. At the request of the Issuer, the Trustee shall take all necessary actions to effectuate the termination of any Pari Passu Intercreditor Agreement in accordance with these provisions, subject to customary protections and indemnifications.

Each holder of a Note, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Trustee to give effect to such provisions;

(2) authorized the Trustee to become a party to any future intercreditor arrangements described above;

(3) agreed to be bound by such provisions and the provisions of any future Intercreditor arrangements described above; and

(4) irrevocably appointed the Trustee to act on its behalf to enter into and comply with such provisions and the provisions of any future intercreditor arrangements described above.

Changes in Covenants when Notes Rated Investment Grade

If on any date following the date of the Indenture:

(1) the Notes are rated Baa3 or better by Moody's and BBB- or better by Fitch (or, if either such entity ceases to rate the Notes for reasons outside of the control of the Issuer, the equivalent investment grade credit rating from any other internationally recognized statistical rating organization); and

(2) no Default or Event of Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this description will be suspended and in each case any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer, the Issuer and its Restricted Subsidiaries:

(a) "*—Repurchase at the Option of Holders—Asset Sales*";

(b) "*—Certain Covenants—Restricted Payments*";

(c) "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(d) "*—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(e) clause (4) of the covenant described below under "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(f) "*—Certain Covenants—Transactions with Affiliates*"; and

(g) "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*".

Notwithstanding the foregoing, if the rating assigned by any such rating agency should subsequently decline to below Baa3 or BBB- (for Moody's and Fitch, as applicable), respectively, the foregoing covenants will be reinstituted as of and from the date of such rating decline. Calculations under the reinstated "Restricted Payments" covenant will be made as if the "Restricted Payments" covenant had been in effect since the date of the Indenture, except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. In addition, no action taken during any period that the foregoing covenants have been suspended (the "**Investment Grade Status Period**") (or prior to or after an Investment Grade Status Period in compliance with the covenants then applicable) will require reversal or constitute a default under the Indenture in the event that the suspended covenants are subsequently reinstated or suspended, as the case may be.

On the date of reinstatement of the covenants, all Indebtedness Incurred during the continuance of the Investment Grade Status Period will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the date of reinstatement of the covenants and after giving effect to Indebtedness Incurred prior to the Investment Grade Status Period and outstanding on the date of reinstatement of the covenants).

To the extent such Indebtedness would not be so permitted to be incurred under the first paragraph of the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*,"

such Indebtedness will be deemed to have been Existing Indebtedness outstanding on the Issue Date, so that it is classified as permitted under clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*."

The Issuer shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify Holders of such event.

There can be no assurance that the Notes will ever achieve or maintain an investment grade rating.

Events of Default and Remedies

Each of the following is an "Event of Default":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Issuer or any Restricted Subsidiary to comply with the provisions described above under "*—Certain covenants—Restricted Payments*", "*—Certain Covenants—Incurrence of Indebtedness and issuance of Preferred Stock*" or "*—Certain Covenants—Merger, consolidation or sale of assets*";

(4) failure to comply for 30 days after written notice by the Trustee on behalf of the holders of the Notes or by the holders of 25% in aggregate principal amount of the outstanding Notes with the covenant described under "*—Repurchase at the Option of Holders—Change of Control*" or "*—Repurchase at the Option of Holders—Asset Sales*" above;

(5) failure by the Issuer or any of its Restricted Subsidiaries for 60 days after notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2), (3) or (4));

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries, other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

    (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness upon the expiration of the grace period provided in such Indebtedness on the date of such default (a "**Payment Default**"); or

    (b) results in the acceleration of such Indebtedness prior to its final stated maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €20.0 million or more;

(7) failure by the Issuer or any of its Restricted Subsidiaries to pay final and non-appealable judgments entered by a court or courts of competent jurisdiction aggregating in excess of €20.0 million, which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and non-appealable;

(8) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; and

(9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising under clause (9) above, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the

Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately, only after a notice has been sent to the Issuer and the Issuer failed to cure such default within the applicable cure period set out above.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under "*Events of Default and Remedies*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (6) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default of which a Responsible Officer of the Trustee has been informed in writing occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, claim, liability or expense. Except (subject to the provisions described under "*—Amendment, Supplement and Waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts, if any, when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested in writing the Trustee to pursue the remedy and the Trustee has not received conflicting requests from holders of at least 25% in aggregate principal amount of the then outstanding Notes;

(3) such holders have offered the Trustee security and/or indemnity (including by way of pre-funding) satisfactory to the Trustee against any loss, claim, liability or expense;

(4) the Trustee has not complied with such written request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a written direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, waive any existing Default or Event of Default and its consequences under the Indenture (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any which may only be waived by 90% in aggregate principal amount of the outstanding Notes) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Issuer is required to deliver to the Trustee annually (within 120 days after the end of each fiscal year) a statement regarding compliance with the Indenture and confirmation that no Event of Default has occurred and is continuing since the delivery of the last such certificate. Within 30 days of becoming aware of any Default or Event of Default, the Issuer is required to deliver to the Trustee a statement specifying such Default or Event of Default and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture provides for the Trustee to take action on behalf of the holders of Notes in certain circumstances, but only if the Trustee is indemnified and secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for holders of Notes to take action directly.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of the Issuer's Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and the Indenture and all obligations of any Guarantors discharged with respect to their Note Guarantees and the Indenture ("**Legal Defeasance**") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest, Additional Amounts or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee and the Issuer's and any Guarantors' obligations in connection therewith;

(4) the Issuer's obligation to maintain a Registrar and Paying Agent with respect to the Notes; and

(5) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and any Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("**Covenant Defeasance**").

If the Issuer exercises its Legal Defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its Covenant Defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clauses (3) through (7) under "*—Events of Default and Remedies*" above or because of the failure of the Issuer to comply with clause (4) and clause (5) of the first paragraph under "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" above. In the event Covenant Defeasance occurs, all Events of Default described above under "*—Events of Default and Remedies*" (except those relating to payments on the Notes or, solely with respect to the Issuer, bankruptcy, receivership, rehabilitation or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee or such entity designated or appointed (as agent) by the Trustee for this purpose, in trust, for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations, or a combination of cash in euros and European Government Obligations, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest, Additional Amounts and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel confirming that the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer or the Guarantors or with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or the Guarantors;

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with;

(6) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(7) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Amendment, Supplement and Waiver

Subject to applicable Italian law, including the provisions described under "*Meetings of Holders of Notes*," except as provided in the succeeding paragraphs, the Indenture, the Notes and the Note Guarantees may be amended, supplemented or otherwise modified with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes and the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Subject to applicable Italian law, unless consented to by the holders of at least 75% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under "—*Repurchase at the Option of Holders*");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) impair the right of any holder of Notes to receive payment of principal of and interest on such holder's Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any Note Guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts, or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration, which may, for the avoidance of doubt, both be agreed to or waived by the holders of at least a majority in aggregate principal amount of Notes then outstanding);

(6) make any Note payable in money other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "—*Repurchase at the Option of Holders*");

(9) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture; or

(10) make any change in the preceding amendment and waiver provisions which require the holders' consent described in this sentence.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer or any Guarantor and the Trustee, as applicable, may amend or supplement the Indenture, the Notes or the Note Guarantees:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes (provided that such uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger, transformation or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the Trustee or to the holders of Notes or that does not adversely affect the legal rights under the Indenture of the Trustee or any such holder in any material respect;

(5) to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this description to the extent that such provision in this description was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees, which intent shall be evidenced by an Officer's Certificate to that effect;

(6) to release any Note Guarantee in accordance with the terms of the Indenture;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes;

(9) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture; or

(10) to add security to or for the benefit of the Notes and enter into a Pari Passu Intercreditor Agreement with respect thereto, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture or a Pari Passu Intercreditor Agreement.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

    (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Paying Agent or Registrar for cancellation; or

    (b) all Notes that have not been delivered to the Paying Agent or Registrar for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in euros, non-callable European Government Obligations, or a combination of cash in euros and non-callable European Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Paying Agent or Registrar for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer or any Guarantor, as applicable, under the Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent in the Indenture to satisfaction and discharge have been satisfied provided that any such counsel may rely on an Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses).

Meetings of Holders of Notes

All meetings of holders of the Notes will be held in accordance with Italian applicable laws and regulations.

In addition to and without prejudice to the provisions described above under the caption "*—Amendment, Supplement and Waiver*," in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the holders of the Notes to consider any matter affecting their interests, including, without limitation, any amendment, supplement or waiver described above under the caption "*—Amendment, Supplement and Waiver*." A meeting may be convened by either the Board of Directors of the Issuer or the Noteholders' Representative (as defined below) and shall be convened upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

According to the Italian Civil Code, the vote required to pass a resolution by such meeting will be (i) in the case of the first meeting, one or more persons present that hold or represent holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of a second and any further adjourned meeting, one or more persons that hold or represent holders of more than two thirds of the aggregate principal amount of the outstanding Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided*, however, that the Company's bylaws may provide for a higher quorum (to the extent permitted under Italian law).

Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by a resolution passed at a meeting of holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the first paragraph under "*—Amendment, supplement and waiver*," and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass a resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See "*Risk Factors—Risks Relating to the Notes and the Notes Guarantees—The Company may amend the economic terms and conditions of the Notes without the prior consent of all the holders of the Notes with the vote of either 75% or 50% of the outstanding Notes.*" Any resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of holders of the Notes can be challenged by holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "*—Meeting of Holders of Notes*" will be in addition to, and not in substitution of, the provisions described under the caption "*—Amendment, supplement and waiver*." As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*—Meeting of Holders of Notes*" must also comply with the other provisions described under "*—Amendment, Supplement and Waiver*."

Noteholders' Representative

A representative of the holders of the Notes (*rappresentante comune*) (the "**Noteholders' Representative**") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as give effect to resolutions passed at a meeting of the holders of the Notes. The Noteholders' Representative may be appointed by a meeting of the holders of the Notes, or, if the appointment is not resolved upon by the meeting of holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon the request of one or more holders of the Notes or upon the request of the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three fiscal years but may be reappointed again thereafter.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes, the Indenture, any Guarantees of the Notes or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Judgment Currency

The euro (the "**Required Currency**") is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under or in connection with the Notes or any Note Guarantee, including damages. Any payment which is made to or for the account of any holder or the Trustee in lawful currency other than the Required Currency (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer's or any Guarantor's obligation under the Indenture and the Notes or the Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency which such holder or the Trustee, as the case may be, could purchase with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the date of receipt of the payment in the Judgment Currency or, if it is not practicable to make that purchase on that date, on the Business day following receipt of such payment. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. In any event, the Issuer and any Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture, the Notes or any Note Guarantees, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

Deutsche Trustee Company Limited is to be appointed the Trustee under the Indenture. If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and their respective Affiliates and Subsidiaries.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee on behalf of such holders, subject to certain exceptions. The Indenture provides that in case an Event of Default, of which a Responsible Officer of the Trustee has been informed in writing, occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of their own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any holder or that would involve the Trustee in personal liability. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and/or indemnity (including by way of pre-funding) satisfactory to it against any loss, claim, liability or expense. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, claim, liability, taxes and expenses incurred without gross negligence, willful default or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Governing Law

The Indenture will provide that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture and the Notes and the Note Guarantees brought in any federal or state court located in the Borough of Manhattan in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since all of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against such entities, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*ACC Facilities*" means the three advance on exchange financing contracts entered into by Maccaferri do Brasil Ltda. with Banco Bradesco S.A. on December 26, 2013 and January 31, 2014 and with Itau Unibanco S.A. on February 10, 2014.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

Acquired Debt shall be deemed to have been incurred with respect to clause (1) of the preceding sentence, as applicable (i) on the date of the relevant merger or (ii) the date on which such Person becomes a Restricted Subsidiary, or, with respect to clause (2) of the preceding sentence, on the date of acquisition of the relevant asset.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling", "controlled by" and "under common control with" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; and

(2) the excess (to the extent positive) of:

   (a) the present value at such redemption date of (i) the redemption price of the Note at June 1, 2017 (such redemption price being set forth in the table appearing above under "*—Optional Redemption*") plus (ii) all required interest payments due on the Note through June 1, 2017, (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

   (b) the principal amount of the Note,

as calculated in good faith by the Issuer or on behalf of the Issuer by such Persons the Issuer may designate.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Issuer or any of its Restricted Subsidiaries; provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "*—Repurchase at the Option of Holders—Change of Control*" and/or the provisions described above under the caption "*—Certain*

Covenants—Merger, Consolidation or Sale of Assets" and not by the provisions described under the caption "*—Repurchase at the option of holders—Asset Sales*"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Issuer or any Restricted Subsidiary of Equity Interests in any of the Restricted Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €5.0 million;

(2) a transfer of assets between or among the Issuer and any Restricted Subsidiary or among Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to a Restricted Subsidiary (other than the issuance of Equity Interests of a Guarantor to a Restricted Subsidiary that is not a Guarantor);

(4) the sale, lease or other transfer of interests in products, services or accounts receivable, in each case, in the ordinary course of business and any sale or other disposition of surplus, damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property) that is, in the reasonable judgment of the Issuer, no longer economically practicable to maintain or useful in the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole;

(5) licenses and sublicenses by the Issuer or any Restricted Subsidiaries of software or intellectual property or other general intangibles, licenses, sub-licenses or sub-licenses of other properties, in each case in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under "*—Liens*";

(8) the sale or other disposition of cash or Cash Equivalents;

(9) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(10) the foreclosure, condemnation or any similar action with respect to any property or other assets;

(11) any disposition of Equity Interests of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(12) a Restricted Payment that does not violate the covenant described above under "*—Certain Covenants—Restricted Payments*" or a Permitted Investment or a transaction specifically excluded from the definition of a Restricted Payment;

(13) sales, transfers, dispositions or discounts of receivables and related assets in connection with any factoring, receivables or securitization financing or sale of future credit rights transaction (including Recourse Factoring or Securitization and Qualified Receivables Financing) or in the ordinary course of business; and

(14) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof (or in connection with a determination made under the Indenture that requires action by the Board of Directors, any senior manager of the relevant entity duly delegated by the Board of Directors to take such action on the extent permitted under the relevant entity's organizational documents and applicable law); (2) with respect to any partnership, the board of

directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function.

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to June 1, 2017; *provided*, *however*, that if the period from the redemption date to June 1, 2017 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to June 1, 2017 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy or London, United Kingdom are authorized or required by law to close; provided, however, that for any payments to be made under the Indenture, such day shall also be a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("**TARGET**") payment system is open for the settlement of payments.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof, the securities of which are guaranteed as a full faith and credit obligation of such government with maturities of 24 months or less from the date of acquisition;

(2) certificates of deposit, time deposits, euro time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "*Deposit*") or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any bank or trust company (a) which, at any time since January 1, 2007, the Company or any Subsidiary held Deposits (including any branch, subsidiary or affiliate of such bank or trust company), (b) whose commercial paper is rated at least "F-3" or the equivalent thereof by Fitch or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;

(3) repurchase obligations for underlying securities of the types described in clauses (1) and (2) entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "P-3" by Moody's or at least "F-3" by Fitch and in each case maturing within 12 months after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Norway, Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or Fitch with maturities of 24 months or less from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from Fitch or "Baa3" or higher from Moody's with maturities of 12 months or less from the date of acquisition;

(7) cash and cash equivalents as determined in accordance with GAAP; and

(8) interests in investment funds investing at least 95% of their assets in cash or securities of the types described in clauses (1) through (8) above.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole to any Person other than one or more Permitted Holders;

(2) the consummation of any transaction, whether as a result of the issuance of securities of the Issuer, any merger or consolidation, purchase or otherwise, the result of which is that any "person" (as such term is used in Section 13(d)(3) of the Exchange Act), other than one or more Permitted Holders, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided that*, for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent;

(3) the first day on which a majority of the members of the Board of Directors of the Issuer are not Continuing Directors; or

(4) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

For purposes of this definition, (a) "person" has the meaning it has in Sections 13(d) and 14(d) of the Exchange Act; (b) "beneficial owner" is used as defined in Rules 13(d) and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time; and (c) a person will be deemed to beneficially own any Voting Stock of an entity held by a parent entity, if such person is the beneficial owner, directly or indirectly, of more than 50% of the voting power of the Voting Stock of such parent entity and the Permitted Holders beneficially own, directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent entity.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) Consolidated Income Taxes, provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted when computing Consolidated Net Income; *plus*

(3) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) or impairment expenses and other non-cash charges and expenses (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period), provisions for bad debt of such Person and its Restricted Subsidiaries for such period; *plus*

(4) any foreign currency transaction and translation losses (including losses related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries for such period; *plus*

(5) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties (other than with respect to the SIMEST Arrangements); *plus*

(6) any extraordinary losses realized in connection with any Asset Sale together with any related provision for taxes on any such loss; *plus*

(7) any cash expenses, cash charges or other costs (in each case, as determined in good faith by an Officer of the Issuer) related to (A) any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; provided that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), (B) start-up costs relating to the expansion of the Issuer's or its Restricted Subsidiaries' entry into a new jurisdiction and (C) disposition, recapitalization or the incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful); *minus*

(8) any foreign currency translation gains (including gains related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries for such period; *minus*

(9) any extraordinary gains realized in connection with any Asset Sale together with any related provision for taxes on any such gain; *minus*

(10) interest and/or financial income (other than financial income of the type described under clause (2) of the definition of Consolidated Net Income) to the extent included in the Consolidated Net Income of such Person; *minus*

(11) other non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including withholding taxes) of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority;

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary of such Person), determined in accordance with GAAP and without any reduction in respect of preferred stock dividends; provided that:

(1) all extraordinary gains (losses) and all gains (losses) realized in connection with the disposition of securities or the early extinguishment of Indebtedness, together with any related provision for taxes on any such gain (loss), will be excluded;

(2) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain Covenants—Restricted Payments*", any net income or loss of any Restricted Subsidiary will be excluded if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the holders of the Notes than such restrictions in effect on the Issue Date) and (d) any restriction listed under clauses (c) or (d) of the second paragraph of the covenant described above under the caption "*—Certain Covenants—Dividend and Other Payments Restrictions Affecting Restricted Subsidiaries*" except that specified Person's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the specified Person or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(4) the cumulative effect of a change in accounting principles will be excluded;

(5) any extraordinary, exceptional or nonrecurring gains or losses or charges in respect of any restructuring, redundancy or severance payment or costs relating to the Transactions (in each case as determined in good faith by the Issuer) will be excluded;

(6) any unrealized gains or losses in respect of Hedging Obligations will be excluded;

(7) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(8) any goodwill or other intangible asset impairment charges, any amortization or write-off, or any gain or loss arising from a revaluation of assets or any provisions in relation thereto will be excluded;

(9) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded; and

(10) any capitalized interest on any Subordinated Shareholder Debt will be excluded.

"*Consolidated Net Indebtedness*" means, with respect to any Person, (x) the sum of the aggregate outstanding Indebtedness of that Person and its Restricted Subsidiaries as of the relevant date of calculation less (y) the amount of cash, Cash Equivalents (other than cash and Cash Equivalents received upon the incurrence of Indebtedness by the Issuer or the relevant Guarantor, as applicable, and not immediately or subsequently applied or used for any purpose not prohibited by the Indenture) that would be stated on the balance sheet of such Person and its Restricted Subsidiaries as of such date, in each case, on a consolidated basis on the basis of GAAP.

"*Consolidated Total Assets*" of any Person as of any date means the total assets of such Person and its Restricted Subsidiaries as of the most recent fiscal quarter end for which a consolidated balance sheet of such Person and its Restricted Subsidiaries is available, calculated on a consolidated basis in accordance with GAAP.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

 (a) for the purchase or payment of any such primary obligation; or

 (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Issuer who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"*Credit Facilities*" means one or more debt facilities, capital markets indentures, instruments (including the Factoring Facility, but excluding the Existing Facilities) or arrangements or commercial paper facilities, in each case with banks or other financial institutions or investors providing for revolving credit loans, term loans, receivables financings (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables or otherwise), letters of credit or bankers'

acceptances or other forms of guarantees and assurances, or other Indebtedness, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise), restructured, repaid or refinanced (whether by means of sales of debt securities to institutional investors and whether in whole or in part and whether or not with the original administrative agent or lenders or another administrative agent or agents or other bank or institutions and whether provided in one or more other credit or other agreements) and, for the avoidance of doubt, includes any agreement extending the maturity thereof or otherwise restructuring all or any portion of the indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the Fair Market Value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or one Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Repurchase at the Option of Holders—Assets Sales*."

"*Disqualified Stock*" means with respect to any Person any Capital Stock or such Person that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable for cash or in exchange for Indebtedness, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 180 days after the Maturity Date. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that the Issuer and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any public or private sale of ordinary shares, preference shares or other Equity Interests of the Issuer or a Parent (other than Disqualified Stock) whereby the Issuer or a Parent receives gross proceeds, together with the gross proceeds received by the Issuer or a Parent in any prior public or private sale of such Equity Interest, of not less than €50.0 million, other than public offerings with respect to common stock of the Issuer or a Parent registered on Form S-8 but, in the case of any such offering by a Parent, only to the extent the net cash proceeds thereof are contributed as Subordinated Shareholder Debt or to the equity (other than through the issuance of Disqualified Stock) of the Issuer or its Restricted Subsidiaries and are not Excluded Contributions.

"*Escrowed Funds*" means amounts sufficient to repay the Issuer's obligations in full pursuant to the Export Banca Facility to be deposited in escrow on or about the Issue Date.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Union, and the payment for which such member state of the European Union pledges its full faith and credit.

"*European Union*" means the members of the European Union, including any member state thereof.

"*Excluded Contribution*" means net cash proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer on the date such contribution to equity is made or such Capital Stock is issued or sold.

"*Exchange Act*" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder.

"*Existing Facilities*" means, with respect to the Issuer or any Restricted Subsidiary, one or more debt facilities or arrangements (excluding the Factoring Facility), or commercial paper facilities and overdraft facilities with banks or other institutional lenders, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables) or letters of credit, in each case, to the extent outstanding after application of the proceeds from the offering of the Notes as described in "*Use of Proceeds*" in this Offering Memorandum.

"*Existing Indebtedness*" means all Indebtedness of the Issuer and its Restricted Subsidiaries in existence on the Issue Date after giving effect to the use of proceeds of the Notes (including, but not limited to, the Existing Facilities but excluding the Factoring Facility), until such amounts are repaid; *provided, however,* that the Issuer and its Restricted Subsidiaries shall repay all Indebtedness (other than under the Existing Facilities) intended to be refinanced with the proceeds of the Notes, as described under "*Capitalization*" in this Offering Memorandum, within 30 Business Days from the Issue Date, except that the Issuer's obligations under the Export Banca Facility will be extinguished pursuant to the Escrowed Funds or otherwise and the Issuer's obligations under the ACC Facilities will be extinguished in accordance with the terms thereof or otherwise, in each case by October 31, 2014, *provided, further,* that, to the extent applicable, irrevocable notices of redemption or repayment of such Indebtedness shall have been delivered to the relevant lenders on or prior to the Issue Date.

"*Export Banca Facility*" means the financing agreement, dated as of September 19, 2013, by and among, inter alia, the Issuer, S.E.C.I. Energia S.p.A., Eridania Sadam S.p.A., Manifatture Sigaro Toscano S.p.A., as borrowers, SECI as parent guarantor, Banca Nazionale del Lavoro S.p.A., as lender and agent and Cassa Depositi e Prestiti S.p.A. as lender and SACE S.p.A., as guarantor of the Cassa Depositi e Prestiti S.p.A.

"*Factoring Facility*" means the factoring facility agreement, dated as of December 1, 1999, among the Issuer and Elas Geotecnica S.r.l., as assignors, and International Factor Italia S.p.A., as the factor, as subsequently amended, restated or replaced.

"*Fair Market Value*" means with respect to any assets or property the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by an officer or the Board of Directors of the Issuer (unless otherwise provided in the Indenture).

"*Fitch*" means Fitch, Inc.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person for any period, the ratio of Consolidated EBITDA of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person for such period.

The Fixed Charge Coverage Ratio shall be calculated on a pro forma basis assuming that all Investments, acquisitions, dispositions, mergers, consolidations, amalgamations, disposed operations and other business combination transactions, as well as each repayment, repurchase, defeasance or other discharge of Indebtedness (as determined on the basis of GAAP) made or undertaken by the relevant Person, any Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the date of calculation (including the change in Fixed Charges and Consolidated EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period including any pro forma expense and cost reductions (including staff cost reductions) that have occurred or are reasonably expected to occur (regardless of whether these cost reductions could be reflected under GAAP).

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or accounting officer of the relevant Person. If any Indebtedness bears interest at a floating rate and is being given pro forma effect, the interest on such

Indebtedness shall be calculated as if the rate in effect on the date of calculation had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capital Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the relevant Person to be the rate of interest implicit in such Capital Lease Obligation on the basis of GAAP. For purposes of making the computation referred to above, interest on any Indebtedness outstanding during the relevant period under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of cash or non-cash interest income and dividends received by the Issuer or a Restricted Subsidiary on shares held by minority interests pursuant to the SIMEST Arrangements) of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations (but not payments on any operating leases, including without limitation any payments on any lease, commission or license of property (or Guarantee thereof) which would be considered an operating lease under GAAP), commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations (but excluding any non-cash interest expense attributable under GAAP to foreign currency translations or movement in the mark to market valuation of Hedging Obligations); *plus*

(2) the consolidated interest expense (but excluding such interest on Subordinated Shareholder Debt) of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (other than Indebtedness subject to this clause (3) solely because of the existence of a Lien of the type specified under clause (25) of the definition of Permitted Liens), whether or not such guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Qualifying Equity Interests of the Issuer or to the Issuer or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal; *minus*

(5) any commissions, discounts, yield and other fees and charges related to confirming, factoring, sale of future credit rights, receivables or securitization financings that do not constitute Recourse Factoring or Securitization; *minus*

(6) any interest income for such period,

in each case, determined on a consolidated basis in accordance with GAAP.

"*GAAP*" means generally accepted accounting principles in Italy in effect as on the date of any calculation or determination required hereunder, provided that at any time after the Issue Date, the Issuer may elect to apply IFRS or US GAAP for the purposes of the Indenture, and from and after such election references herein to GAAP shall be deemed to be references to IFRS or US GAAP (as applicable) in effect at the date of any calculation or determination required hereunder and all defined terms in the Indenture, and all ratios and computations based on GAAP shall be computed in conformity with IFRS or US GAAP in effect at the date of any calculation or determination required hereunder, from and after any such election; provided, further, that upon first reporting its fiscal year results under IFRS or US GAAP, as applicable, it shall restate its financial statements in accordance with IFRS or US GAAP for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of IFRS or US GAAP, as applicable. In addition, at any time after the Issue Date, the Issuer may elect (whether then reporting pursuant to IFRS or U.S. GAAP) to establish that GAAP shall mean the GAAP as in effect on the date of such election, *provided* that any such election, once made, shall be irrevocable.

"*Guarantee*" means, with respect to any Specified Person, a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness of any other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantors*" means the Initial Guarantors and any Subsidiary of the Issuer that executes a Note Guarantee subsequent to the Issue Date in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Agreement*" means any Interest Rate Agreement or Currency Agreement.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) any Hedging Agreement;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*Indebtedness*" means, with respect to any specified Person, on any date of determination any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) the principal amount of obligations evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof, except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 45 days of incurrence);

(3) representing Capital Lease Obligations (but not any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under GAAP as in effect on the Issue Date);

(4) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed;

(5) representing the maximum fixed purchase price of Disqualified Stock; or

(6) representing any Recourse Factoring or Securitization;

(7) representing any Hedging Obligations (the amount of such indebtedness to be equal to the net aggregate payments that would be payable by such Person at such date of determination under all of its Hedging Obligations at the respective scheduled termination date),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The term "Indebtedness" shall not include:

(1) obligations under any concession, license or lease of property or Guarantee thereof which would be considered as an operating lease under GAAP;

(2) for the avoidance of doubt, any contingent obligations with respect to workers' compensation claims, asset retirement, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(3) obligations for the reimbursement of any obligor in relation to any confirming services, reverse factoring services and commercial discount lines in the ordinary course of business, unless and until such obligations are called upon or enforced against such obligor and are not reimbursed within 45 days thereof;

(4) any prepayments of deposits received from clients or customers in the ordinary course of business, or obligations under any concession, license, permit or other approval (or guarantees given in respect of such obligations) incurred prior to the Issue Date or in the ordinary course of business;

(5) Contingent Obligations in the ordinary course of business;

(6) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however,* that if, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 60 days thereafter;

(7) obligations under or in respect of Qualified Receivables Financings or other factoring, sale of future credit rights, receivables or securitization financing that do not constitute Recourse Factoring or Securitization;

(8) payments or other transactions or obligations pursuant to any tax sharing agreement; *provided*, *however*, that such payments, and the value of such transactions or obligations, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe, without taking into account such tax sharing agreement; and

(9) Subordinated Shareholder Debt.

For the avoidance of doubt, any Indebtedness representing Recourse Factoring or Securitization shall be deemed to be extinguished and no longer outstanding under the Indenture to the extent that the related receivable has been paid or otherwise satisfied or no longer appears as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with GAAP.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions or other extension of credit (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet prepared in accordance with GAAP; provided, however, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the third paragraph of the covenant described above under "*—Certain Covenants—Restricted Payments*". The acquisition by the Issuer or any Restricted Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under "*—Certain Covenants—Restricted Payments*". Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement (whether from fixed to floating or from floating to fixed), interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Issue Date*" means June 5, 2014.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Equity Interests (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any opening or closing or consolidation of any facility or office; or

(3) not exceeding €3.0 million in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, employees and other members of the management of or consultants to the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Equity Interests of the Issuer or any Restricted Subsidiary.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the entity conducting the Public Offering on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing price per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Maturity Date*" means June 1, 2021.

"*Moody's*" means Moody's Investors Service, Inc.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of 3(c)(62) under the Exchange Act.

"*Net Proceeds*" means the aggregate cash proceeds and Cash Equivalents received by the Issuer or any Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, other than any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Note Guarantee*" means the guarantee by each Guarantor, if any, of the Issuer's obligations under the Indenture and the Notes, executed after the Issue Date pursuant to the provisions of the Indenture.

"*Officer*" means, with respect to any Person, the chief executive officer and the chief financial officer of such Person, or a responsible accounting or financial officer of such Person or, in respect of the Issuer, and if such person has not been appointed, any Director of the Issuer.

"*Officer's Certificate*" means a certificate signed by one or more Officers; provided that each certificate with respect to compliance with a condition or covenant provided for in the Indenture shall include:

(1) a statement that the Person making such certificate has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based;

(3) a statement that, in the opinion of such Person, such Person has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

"*Opinion of Counsel*" means a written opinion in form and substance reasonably satisfactory to the Trustee from legal counsel of international repute with respect to the relevant jurisdiction who is reasonably acceptable to the Trustee. Subject to the foregoing, the counsel may be an employee of or counsel to the Issuer.

"*Parent*" means any Person of which the Issuer at any time is or becomes a direct or indirect Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Entity Expenses*" means dividends, distributions, cash payments, advances, loans or expense reimbursements or cost sharing arrangements made to any direct or indirect parent company of the Issuer to permit any such company to pay (i) general operating expenses, customary directors' fees, accounting, legal, corporate reporting and administrative expenses incurred in the ordinary course of business to the extent such costs and expenses are directly attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries or are third-party fees and expenses, in each case, incurred on behalf of the Issuer and/or any of its Restricted Subsidiaries substantially consistent with past practice; (ii) any taxes, duties or similar governmental fees (other than income taxes) of any such parent company to the extent such tax obligations are directly attributable to its ownership of the Issuer and its Restricted Subsidiaries; (iii) costs (including all professional fees and expenses) incurred directly or indirectly by any direct or indirect parent company of the Issuer in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory, self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary; (iv) fees and expenses payable by any parent entity in connection with the Transactions; and (v) fees and expenses of any direct or indirect parent company of the Issuer in relation to any public offering or other sale of Capital Stock or Indebtedness where (x) the net proceeds of such offering or sale are received by or contributed to the Issuer or any Restricted Subsidiary; or (y) in a prorated amount of such expenses in proportion to the amount of such net proceeds received by or contributed to the Issuer or any Restricted Subsidiary; *provided that* in the case of (i) above, the aggregate amount of such payments may not exceed €1.5 million in any twelve-month period.

"*Permitted Business*" means any business that is the same as, or reasonably related, ancillary, incidental or complementary or similar to, any of the businesses in which the Issuer and its Restricted Subsidiaries are engaged on the date of the Indenture or are extensions or developments of any thereof.

"*Permitted Holder*" means:

(1) (i) any one of Raffaella Boni, Angela Boni, Antonio Maccaferri, Gaetano Maccaferri, Massimo Maccaferri or Alessandro Maccaferri (the "**Family**"); (ii) their respective spouses, children and relatives (each an "**Family Member**"); (iii) any company controlled or jointly controlled by any Family Member; (iv) any trust or other similar entity in which any Family Member whether alone or together with one or more other Family Members has all or substantially all of the beneficial interests; or (v) the Affiliates and any Related Parties of any of the Persons listed form (i) to (iv) above; and

(2) any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investments*" means:

(1) any Investment in the Issuer or a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:

    (a) such Person becomes a Restricted Subsidiary of the Issuer; or

    (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under "*—Repurchase at the Option of Holders—Asset Sales*";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Qualifying Equity Interests of the Issuer;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations entered into in the ordinary course of business, and which obligations are permitted by clause (8) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*")

(8) Management Advances;

(9) repurchases of (i) the Notes and (ii) any other Indebtedness (other than Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Guarantee and Subordinated Shareholder Debt) of the Issuer or any Restricted Subsidiary; *provided that* in the case of (ii), any such Indebtedness repurchased is immediately cancelled;

(10) any Guarantee of Indebtedness permitted to be incurred by the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(11) any Investment in the Proposed Joint Venture, any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date (including the SECI Loan) and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; provided that the amount of any such Investment may be increased (a) as required by the terms of the agreement relating to such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(12) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of the Issuer of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(13) other Investments having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), in the aggregate amount when taken together with all other Investments made pursuant to this clause (13) that are at the time outstanding not to exceed the greater of €15.0 million and 29.0% of Consolidated EBITDA, provided that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "Permitted Investments" and not this clause;

(14) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business; and Investments relating to any Receivables Subsidiary or any Investment by a Receivables Subsidiary in another Person (other than an Affiliate of the Issuer which is not an Affiliate solely due to an ownership interest of the Issuer or a Restricted Subsidiary in such Person), in each case in connection with a Qualified Receivables Financing that, in the good faith determination of the Issuer, are necessary or advisable to effect or maintain such Qualified Receivables Financing;

(15) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Liens*;"

(16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business;

(17) guarantees, keepwells and similar arrangements not prohibited by the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(18) loans or advances to sub-contractors, sub-concessionaires, suppliers or customers in the ordinary course of business and consistent with past practice;

(19) Investments in licenses, concessions, authorizations, franchises, permits or similar arrangements in the ordinary course of business that are related to a Permitted Business;

(20) Investments made in connection with any Recourse Factoring or Securitization and any related Indebtedness, and

(21) loans or advances to a Parent (excluding the SECI Loan) pursuant to cash management or cash pooling arrangements not to exceed €20.0 million at any one time.

"*Permitted Liens*" means:

(1) Liens (a) existing on the Issue Date or which the Issuer or its Restricted Subsidiaries committed to establish pursuant to binding agreements existing on the Issuer Date; and (b) Liens to secure Indebtedness permitted by clause (2) of the second paragraph of the covenant described under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(2) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(3) Liens on property of a Person (including its Capital Stock) existing at the time such Person becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary of the Issuer; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Issuer or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary of the Issuer;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Issuer or any Subsidiary of the Issuer; *provided* that such Liens were in existence prior to such acquisition and not incurred in contemplation of, such acquisition;

(5) Liens for the purpose of securing the payment of all or a part of the purchase price of, or mortgage financings or purchase money obligations with respect to, assets or property acquired or constructed in the ordinary course of business, *provided* that: (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be incurred under the Indenture and (b) such Liens do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(6) Liens for the purpose of securing Capital Lease Obligations permitted by clause (4) of the second paragraph of the covenant described under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" covering only the assets acquired with or financed by such Indebtedness;

(7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(8) Liens imposed by law, such as carriers', warehousemen's, landlord's, materialmen's, repairman's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(9) (i) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person and (ii) any other encumbrance, burden, charge, restriction or condition deriving from agreements entered into with governmental authorities or other public entities pursuant to any administrative or regulatory rule, order or decree, including deeds of undertaking, concession agreements, permits, licenses, authorizations and other similar agreements, deeds, instruments and arrangements;

(10) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(11) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided*, *however*, that:

   (a) the new Lien is limited to all or part of the same property and assets, plus improvements or accessions in respect thereof, that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(13) Liens arising by virtue of filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under the laws of applicable jurisdiction) as a precautionary measure in connection with operating leases in the ordinary course of business;

(14) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(15) Liens on cash or Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(16) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(17) grants of software and other technology licenses in the ordinary course of business;

(18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(19) Liens to secure the performance of statutory obligations; trade contracts; workers' compensation claims; performance bonds, bid bonds or similar instruments; release, appeal, surety and similar bonds and related obligations; and completion guarantees and similar instruments in each case incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(20) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(21) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(22) Liens in respect of factoring of receivables and sale of future credit rights arising in the ordinary course of business pursuant to customary arrangements;

(23) Liens on receivables incurred in connection with a Qualified Receivables Financing;

(24) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(25) Limited recourse Liens (including put and call arrangements) on Capital Stock or other securities of Unrestricted Subsidiaries securing obligations of such Unrestricted Subsidiaries;

(26) Liens arising from licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(27) Liens arising by virtue of any statutory or common law provisions relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(28) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash management services (including overdrafts), to implement cash pooling arrangements or to cash-collateralize letters of credit or liens securing loans by the Issuer or its Restricted Subsidiaries to SECI of up to €20.0 million outstanding at any one time to implement cash pooling arrangements;

(29) Liens incurred in connection with Hedging Obligations in the ordinary course of business and permitted to be incurred under the Indenture;

(30) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 20% of the net proceeds of such disposal;

(31) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets; and

(32) Liens securing any Indebtedness, not to exceed an aggregate amount of €15.0 million.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Issuer or any Restricted Subsidiaries issued in exchange for, or the Net Proceeds of which are used to renew, refund, refinance, replace, extend, defease or discharge other Indebtedness of the Issuer or any Restricted Subsidiaries); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, extended, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged or (ii) at least after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged; and

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged is subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness continues to be subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, on terms at least as favorable to the holders of Notes or the Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged;

provided, *however*, that Permitted Refinancing Indebtedness shall not include (x) Indebtedness of a Restricted Subsidiary that is not a Guarantor or the Issuer that refinances Indebtedness with respect to which the borrower thereof is the Issuer or a Guarantor or (y) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Proposed Joint Venture*" refers to the transaction described in this Offering Memorandum under "*Summary—Recent Developments*".

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional and other investors, in each case, that are not Affiliates of the Issuer, in accordance with Section 4(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Offering*" means any offering of securities that are listed on an exchange and/or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the US Securities Act, to professional market investors or similar persons).

"*Qualifying Equity Interests*" means Equity Interests of the Issuer other than Disqualified Stock.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Issuer shall have determined in good faith that

such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

"*Receivables Assets*" are any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), and (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Restricted Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any other Restricted Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (c) subjects any property or asset of the Issuer or any other Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(2) with which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, and

(3) to which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Recourse Factoring or Securitization*" means any transaction or series of transactions involving the sale, assignment, discount of receivables of the Issuer or any Restricted Subsidiaries to, or other equivalent or similar form of receivables financing with, banks or other financial institutions or special purpose entities formed to borrow from such institutions against such receivables, including on a *pro solvendo* basis, for which the Issuer or any Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise (including, without limitation, with respect to guarantees on existence of title or otherwise); provided that, for the avoidance of doubt, any non-recourse or *pro soluto* factoring or receivables financings to the extent meeting the requirements to be fully derecognized from the financial statements of the Issuer or any Restricted Subsidiaries pursuant to GAAP shall in no event be deemed to constitute a Recourse Factoring or Securitization under the Indenture.

"*Related Parties*" means any trust, corporation, partnership, limited liability company or other entity, shareholders, partners, members, owners or Persons holding 50.1% of the voting interests (including the entitlement to vote in the election of the board of directors or management of such entity) of which consists of any one or more Permitted Holders.

"*Responsible Officer*" when used with respect to the Trustee, means any managing director, director, associate director, vice president, assistant vice president, assistant treasurer or trust officer within the corporate trust and agency department of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*SECI*" means S.E.C.I. S.p.A.

"*SECI Loan*" means the loan in the principal amount of €12.0 million (together with any accrued interest thereon) granted by the Issuer to SECI plus an aggregate amount equal to (without double counting) associated transaction costs, fees, expenses, stamp duty or other similar taxes incurred by SECI in connection thereto.

"*Significant Subsidiary*" means, at any time, a Subsidiary of the Issuer which has:

(1) EBITDA representing 10.0% or more of the Consolidated EBITDA of the Issuer (excluding any EBITDA generated by joint ventures); or

(2) turnover representing 10.0% or more of the consolidated turnover of the Issuer and its Restricted Subsidiaries; or

(3) total assets (on a consolidated basis but excluding intra-group items) representing 10.0% or more of the Consolidated Total Assets of the Issuer and its Restricted Subsidiaries.

"*SIMEST Arrangements*" means the contractual arrangements pursuant to which SIMEST S.p.A. directly and/or indirectly through affiliates holds minority equity interests in any Restricted Subsidiary of the Issuer.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the

documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Obligation*" means any Indebtedness of the Issuer or any Restricted Subsidiaries (whether outstanding at the Issue Date or thereafter incurred) that is subordinate or junior in right of payment to the Notes or any Note Guarantee, including any Subordinated Shareholder Debt.

"Subordinated Shareholder Debt" means Indebtedness of the Issuer held by one or more of its shareholders; *provided* that such Indebtedness (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) (i) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes, (ii) does not pay cash interest, (iii) contains no change of control provisions and has no right to accelerate or declare a default or event of default or take any enforcement action prior to the first anniversary of the Stated Maturity of the Notes, (iv) is unsecured and (v) is fully subordinated and junior in right of payment to the Notes.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business incorporated entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company or joint venture incorporated entity of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% (and at least an equal percentage) of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% (and at least an equal percentage) of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax).

"*Transactions*" means the issuance of the Notes under the Indenture, the repayment of certain Indebtedness of the Issuer and its Restricted Subsidiaries, the purchase of the Issuer's headquarters and the loan and distribution to the Parent of the Issuer, each with the proceeds of the issuance of the Notes and the payment of fees and expenses in connection therewith.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, and any Subsidiary of such Unrestricted subsidiary but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary of the Issuer unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer;

(3) is a Person with respect to which neither the Issuer nor any Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any Restricted Subsidiaries.

except, in each case, as permitted by the covenants described above under the caption "*—Certain Covenants*."

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors or management board of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Rule 144A Global Note**"). Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the account of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the "**Rule 144A Book Entry Interests**") and ownership of interests in the Regulation S Global Note (the "**Regulation S Book Entry Interests**" and, together with the Rule 144A Book Entry Interests, the "**Book Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book Entry Interests will not be issued in definitive form.

Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book Entry Interests. In addition, while the Notes are in global form, holders of Book Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

None of the Company, the Guarantors, the Trustee, or the Paying Agent will have any responsibility, or be liable, for any aspect of the records relating to the Book Entry Interests.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Company that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Company within 120 days; or

(2) if the owner of a Book Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default (as defined in the Indenture) and commencement of enforcement action under the Indenture.

In such an event, the Company will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the Company, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the relevant Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Company, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Company, and such registration is a means of evidencing title to the Notes.

The Company will not impose any fees or other charges in respect of the Notes. However, owners of the Book Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no Book Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Company will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent for onward payment to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*" above, the Company will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book Entry Interest, as the case may be, absent such withholding or deduction. The Company expects that standing customer instructions and customary practices will govern payments by participants to owners of Book Entry Interests held through such participants.

Under the terms of the Indenture, the Company, the Guarantors, the Trustee and each Agent will treat the registered holders of the Global Notes (i.e., the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream in euro.

Action by Owners of Book Entry Interests

Euroclear and Clearstream have advised the Company that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event

of Default (as defined in the Indenture) under the Notes, Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture governing the Notes.

The Global Notes will bear a legend to the effect set forth under "*Notice to Investors*". Book Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Notice to Investors*".

Transfers of Rule 144A Book Entry Interests to persons wishing to take delivery of Rule 144A Book Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book Entry Interest for a Rule 144A Book Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors*".

Any Book Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book Entry Interest in any other Global Note will, upon transfer, cease to be a Book Entry Interest in the first mentioned Global Note and become a Book Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book Entry Interests in such other Global Note for as long as it remains such a Book Entry Interest.

Information Concerning Euroclear and Clearstream

All Book Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Company provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of the Company, the Guarantors, the Trustee, the Agents or the Initial Purchasers are responsible for those operations or procedures.

The Company understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book entry changes in the accounts of such

participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market of the Irish Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Company, any Guarantor, the Trustee or any Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAX CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to European Union, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident or certain limited types of entity established in that other Member State.

For a transitional period, however, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent on the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 ("**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU Member State, Italian qualified paying agents must report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information will be transmitted by the Italian tax authorities to the competent foreign tax authorities of the Member State of residence of the beneficial owner. In certain circumstances the same reporting requirements must be complied with also in respect of interest paid to an entity established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), entities whose profits are included in business income taxable under general arrangements for business taxation and, in specific cases, UCITS recognized in accordance with Directive 85/611/EEC.

Also with effect from July 1, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State.

The European Commission has announced on November 13, 2008 proposals to amend the Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. At last, the Directive 2003/48/EC has been modified for by the EU Council Directive 2014/48/EU of March 24, 2014 (published on the Official Journal of the European Union on April 15, 2014).

Such Directive contains important amendments to the EU savings Directive.

First of all, a political agreement with Luxemburg and Austria has been concluded in order to overcome the transitional regime. These two Countries are now aligned with the changes proposed by the EU Council. Though, the overcoming of the transitional period is subject to the agreement between European Union and, respectively,

Switzerland, San Marino, Monaco, Andorra and Lichtenstein. Those agreements are based on the so-called "amended version" of the EU savings Directive (ECOFIN agreements) and are currently under negotiation.

The main issue of the Directive 2014/48/EU is represented by the obligation to communicate the transaction in case of cross-border interest payment. In order to ensure the effective taxation on saving incomes, the new Directive puts forward the adoption of a system based on the automatic exchange of information among the relevant authorities of the EU Member States. Based on articles 8 and 9 of the Directive 2003/48/EC (as amended for by the Directive 2014/48/EU), the "paying agent" is obliged to provide, *inter alia*, the following information to the relevant home country authorities:

- The identity and residence of the beneficial owner;
- Account number of the beneficial owner;
- Information relating to the payment of interest.

The relevant authorities of the paying agent's Member State report such information to the relevant authorities of the beneficial owner's Member State. This procedure has to be accomplished at least once a year and within six months from the end of the fiscal year. Moreover, significant changes are related to the updating of the some important definitions:

- "savings income", that now includes not only income deriving from payment of interest, but also other equivalent income;
- "beneficial ownership": the EU saving Directive applies only to payment of interest income made "for the immediate benefit of individuals". The amendments will prevent taxpayers to avoid the provisions of the Directive using an interposed individual or legal institution;
- "paying agent", with also a new definition of "paying agent upon receipt".

Member States are required to implement the new Directive by January 1, 2016, with effect from January 1, 2017.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

Certain Italian Tax Considerations

The statements herein regarding Italian taxation are based on the laws and published practices of the Italian tax authorities in effect in Italy as of the date of the cover page of this offering memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The issuer will not update this summary to reflect changes in laws and if such change occurs the information in this summary could become invalid. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of the Notes for Italian resident and non-Italian resident beneficial owners although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes and Holders of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of the Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws. In particular this Offering Memorandum takes into account the provisions of Law Decree no. 66 of April 24, 2014, published in the Italian Official Gazette on April 24, 2014, and which will be converted into law within 60 days of April 24, 2014. Pursuant to article 77 of the Italian Constitution, if such Law Decree is not converted in law by the Parliament within 60 days of April 24, 2014, it is considered invalid *ab initio*. Conversion of the law may also result in amendments to the regulations set forth in the Law Decree no. 66 of April, 24 2014, as described in this Offering Memorandum. Therefore, prospective purchasers of the Notes are advised to consult their own tax advisers on the effectiveness of the provisions introduced by Law Decree no. 66/2014. In any case, Italian legal concepts may not be identical to the concepts described by the same English term as they exist under terms of different jurisdictions and any legal concept expressed by using the relevant Italian term shall prevail over the corresponding concept expressed in English terms.

Tax Treatment of Interest

Italian Legislative Decree No. 239 of April 1, 1996 sets forth the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter, for the purposes of the discussion under "*Certain Italian tax considerations*" collectively referred to as "**Interest**") deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities, pursuant to Article 44 of Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("**Decree 917**"), issued, *inter alia*, by:

(a) companies whose resident in Italy for tax purposes whose shares are listed on a regulated market or on a multi-lateral trading platform of EU Member States and of the States party to the European Economic Area Agreement included in the approved list provided for by Article 168-bis of Decree 917 (for the time being, reference is to be made to the Ministerial Decree of September 4, 1996, as subsequently amended and supplemented, the "**White List**"); or

(b) companies resident in Italy for tax purposes whose shares are not listed, issuing notes listed upon their issuance for trading on the aforementioned regulated markets or platforms ("*negoziati nei medesimi mercati regolamentati o sistemi unilaterali di negoziazione*").

For these purposes, securities similar to bonds ("*titoli similari alle obbligazioni*") are securities that incorporate an unconditional obligation for the issuer to actually pay, at maturity, an amount not lower than their nominal/face value/principal and that do not provide any right of direct or indirect participation in, or control on, the management of the issuer or of the business in connection with which they are issued.

Italian Resident Noteholders

Holders of the Notes not Engaged in an Entrepreneurial Activity

Where an Italian resident beneficial owner of the Notes (a "**noteholder**") is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected;

(b) a non-commercial partnership (*societa` semplice*);

(c) a non-commercial private or public institution; or

(d) an investor exempt from Italian corporate income taxation,

the interest derived from the Notes, and accrued during the relevant holding period, is subject to a substitute tax ("*imposta sostitutiva*"), levied at a rate of 26 percent (so increased for by Article 3 of Law Decree no. 66 of April 24, 2014, with effect from July 1, 2014; 20 percent up to June 30, 2014), unless the relevant noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the "*Risparmio gestito*" regime provided for by Article 7 of Italian Legislative Decree No. 461 of November 21, 1997 (see "*Tax treatment of capital gains—Risparmio gestito regime*" below).

Noteholders Engaged in an Entrepreneurial Activity

In the event that an Italian-resident noteholder is engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where a noteholder is an Italian resident company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, interest from the Notes will not be subject to *imposta sostitutiva.* It must, however, be included in the relevant noteholder's income tax return and are therefore subject to general Italian corporate taxation and, in certain circumstances, depending on the "status" of the noteholder, the Italian regional tax on productive activities ("**IRAP**").

Real Estate Investment Funds

As clarified by the Italian Revenue Agency through, among others, the Circular dated August 8 2003, No. 47/E and the Circular dated February 15, 2012, No. 2/E, payments of Interest on the Notes made to Italian resident real estate collective investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No 86 of 25 January 1994, respectively, are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate

investment fund provided that the Notes, together with the relevant coupons, are timely deposited with an authorized intermediary.

However, a withholding or substitute tax at a rate of 26% (20% up to June 30, 2014) will apply, in certain circumstances, to income realized by unitholders in the event of distributions on, or the redemption or sale of, the relevant units. Subject to certain conditions, income realized by the real estate investment fund is attributed to the investor irrespective of its actual collection and in proportion to the percentage of ownership of units on a tax transparency basis.

Funds and SICAVs

Where an Italian-*resident noteholder* is an open-ended or a closed-ended collective investment fund ("**Fund**") or *Societa` di Investimento a Capitale Variabile* ("**SICAV**") established in Italy and either (i) the Fund or SICAV or (ii) their manager is subject to a form of supervision of the competent regulatory authority, and the Notes are deposited with an authorized intermediary, Interest accrued during the holding period on the Notes should not be subject to the imposta sostitutiva, but must be included in the management results of the Fund or the SICAV (as the case may be). The Fund or the SICAV will not be subject to taxation on such management results, but a withholding or substitute tax at the rate of 26% (20% up to June 30, 2014) will instead apply, in certain circumstances, to distributions made in favor of unitholders or shareholders (as the case may be).

Pension Funds

Where an Italian-resident noteholder is a pension fund (subject to the regime provided for by Article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited in a timely manner directly and indirectly with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to the *imposta sostitutiva*, but will be included in the results of the relevant portfolio accrued at the end of the relevant tax period (which will be subject to an 11% substitute tax).

Enforcement of the Imposta Sostitutiva

Pursuant to Decree 239, the *imposta sostitutiva* is applied by banks, società di intermediazione mobiliare ("**SIM**"), fiduciary companies, *societa` di gesione del Risparmio* ("**SGR**)", stockbrokers and other entities identified by a decree of the Ministry of Finance (each, an "**Intermediary**").

An Intermediary must:

(a) be resident in Italy, or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and

(b) participate, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying interest to a noteholder or, absent that, by the Issuer.

Non-Italian Resident Noteholders

Where the noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident noteholder is:

(a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy, included in the list White List; or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) an "institutional investor", whether or not subject to tax, which is established in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment; or

(d) a central bank or an entity which manages, *inter alia,* the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident noteholders must be the beneficial owners of the payments of Interest or must qualify as "institutional investors" and must timely deposit the Notes, together with the coupons relating to such Notes, directly or indirectly with:

(a) an Italian or foreign bank or a financial institution (which could be a non-EU resident—the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the noteholder with a Second Level Bank (as defined below); or

(b) an Italian-resident bank or brokerage company (SIM), or a permanent establishment in Italy of a nonresident bank or a SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the "**Second Level Bank**").

Non-Italian resident organizations and companies, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream, Luxembourg) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian-resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree 239. In the event that a non-Italian-resident noteholders deposits the relevant Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-Italian-resident noteholders is conditional upon:

(a) the timely deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

(b) the submission to the First Level Bank or the Second Level Bank (as the case may be) of a statement of the relevant noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

Such statement must comply with the requirements set forth by the Ministerial Decree dated 12 December 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in paragraph (b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in paragraph (d) above. Additional requirements are provided for "institutional investors" referred to in paragraph (c) above (see Circular No. 23/E of 1 March 2002 and No. 20/E of 27 March 2003).

The First Level Bank is obligated to send the above statement to the Second Level Bank within 15 days from receipt. The Second Level Bank files the data relating to the nonresident noteholder together with the data relating to the First Level Bank and of the transactions carried out, via telematic link, to the Italian tax authorities within the first transmission period after receipt of such data. Transmission periods are two-week periods per month during which the Second Level Bank transmits to the Italian tax authorities data relating to Note transactions carried out during the preceding month. The Italian tax authorities monitor and control such data and any discrepancies thereof.

The *imposta sostitutiva* will be applicable at the rate of 26% (20% up to June 30, 2014) to interest paid to noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the relevant conditions.

Noteholders who are subject to the *imposta sostitutiva* may, nevertheless, be eligible for full or partial relief under an applicable tax treaty, provided that the relevant conditions are satisfied.

Certain Italian Tax Considerations on Capital Gains on the Notes

Italian-Resident Noteholders

Noteholders not Engaged in an Entrepreneurial Activity

Where an Italian-resident noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such noteholder from the disposal or redemption of the Notes would be subject to the *imposta sostitutiva*, levied at a rate of 26 percent (so increased for by Article 3 of Law Decree no. 66 of April 24, 2014, with effect from July 1, 2014; 20% up to June 30, 2014). Noteholders may set off any capital losses with their capital gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt, under certain conditions, for any of the three regimes described below.

Tax Declaration Regime

Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for Italian-resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual holding the Notes, during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in their annual tax return and pay the *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward and set off against capital gains realized in any of the four succeeding tax years. Under Law Decree no. 66 of April 24, 2014, capital losses realized up to December 31, 2011 may be carried forward to be offset against subsequent capital gains of the same nature realized from July 1, 2014 in an amount equal to 48.08% of the relevant capital loss. Capital losses realized from January 1, 2012 up to June 30, 2014 may be carried forward in an amount equal to 76.92%.

Risparmio Amministrato Regime

As an alternative to the tax declaration regime, Italian-resident individual noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realized on each disposal or redemption of the Notes (the "*risparmio amministrato"* regime). Such separate taxation of capital gains is allowed subject to:

- the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediary; and
- an express election for the *risparmio amministrato* regime being timely made in writing by the relevant noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realized on each disposal or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the *imposta sostitutiva* to the Italian tax authorities on behalf of the noteholder, deducting a corresponding amount from the proceeds to be credited to the noteholder or using funds provided by the noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a disposal or redemption of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under Law Decree no. 66 of April 24, 2014 capital losses realized prior to December 31, 2011 may be carried forward against capital gains realized after July 1, 2014 only up to 48.08% of their amount. Moreover, capital losses realized from January 1, 2012 to June 30, 2014 may be carried forward against capital gains realized after July 1, 2014 only up to 76.92% of their amount. Under the *risparmio amministrato* regime, the noteholder is not required to declare the capital gains/losses in its annual tax return.

Risparmio Gestito Regime

In the *risparmio gestito* regime, any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26% (20% up to June 30, 2014) substitute tax, to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Moreover, under Law Decree no. 66 of April 24, 2014

decreases in value accrued prior to December 31, 2011 may be carried forward against increases in the value of the investment portfolio accrued after July 1, 2014 only up to 48.08% of their amount. Furthermore, decreases in value accrued from January 1, 2012 to June 30, 2014 may be carried forward against increases in the value of the investment portfolio accrued after July 1, 2014 only to the extent of 76.92% of their amount. The noteholder is not required to declare the capital gains or losses realized in its annual tax return.

Noteholders Engaged in an Entrepreneurial Activity

Any gain obtained from the disposal or redemption of the Notes will be treated as part of taxable income (and, in certain circumstances, depending on the "status" of the noteholder, also as part of net value of the production for IRAP purposes) if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian-resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Real Estate Investment Funds

Any capital gains realized by a noteholder which is an Italian real estate investment fund accrues to the tax year-end appreciation of the managed assets, which is exempt from any income tax. A withholding tax may apply in certain circumstances at a rate of 26% (20% up to June 30, 2014) on distributions made by Italian real estate funds.

Funds and SICAVs

Any capital gains realized by a noteholder who is an Italian Fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. A 26% (20% up to June 30, 2014) withholding tax will apply in certain circumstances, to distributions by the Italian Fund or SICAV to unitholders or shareholders (as applicable).

Pension Funds

Any capital gains realized by a noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to an 11% substitute tax.

Non-Italian-Resident Noteholders

A 26% (20% up to June 30, 2014) *imposta sostitutiva* on capital gains may be payable on capital gains realized on the disposal or redemption of the Notes by non-Italian resident persons or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, letter f), n. 2 of Decree 917, capital gains realized by non-Italian resident noteholders from the disposal or redemption of notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the *imposta sostitutiva*, subject to timely filling of required documentation (in particular, a self-declaration that the noteholder is not resident in Italy for tax purposes). As of the date of this offering memorandum, the Italian tax authorities have not officially confirmed whether a multilateral trading platform qualifies for this exemption.

Capital gains realized by non-Italian resident noteholders from the disposal or redemption of Notes issued by an Italian-resident issuer, even if the Notes are not traded on a regulated market, are not subject to the *imposta sostitutiva*, provided that the effective beneficiary is:

(a) resident, for tax purposes, in a country included in the White List;

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy;

(c) an "**institutional investor**", whether or not subject to tax, which is established in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment; or

(d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident noteholders must satisfy the same conditions set forth above in order to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see "*Tax Treatment of interest*" above).

If the conditions above are not met, capital gains realized by non-Italian resident noteholders from the disposal or redemption of Notes issued by an Italian-resident issuer and not traded on a regulated market may be subject to the *imposta sostitutiva* at the current rate of 26% (20% up to June 30, 2014). However, noteholders may be able to benefit from an applicable double tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are taxed only in the country where the recipient is tax resident, subject to satisfying certain conditions.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian- resident persons and entities holding Notes deposited with an Intermediary, but non-Italian-resident noteholders retain the right to waive its applicability.

Certain Reporting Obligations for Italian-Resident Noteholders

Individuals, non-profit entities and certain partnership (in particular, *societa` semplici* or similar partnership in accordance with Article 5 of decree No. 917) resident in Italy directly holding financial assets, including the Notes, outside Italy (without the intervention of an Italian-resident intermediaries) are required to report, in their Italian tax return, the year-end value of their financial assets held abroad.

Italian Inheritance Tax and Gift Tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian inheritance tax and gift tax as follows:

(a) 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of € 1.0 million;

(b) 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €100.000;

(c) 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and

(d) 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heiress and/or the donee is a person with a severe disability pursuant to Law n. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance tax and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian-resident individuals for bonds issued by Italian resident companies.

Wealth Tax—Direct Holding

According to Article 19 of Law Decree No. 201 of 6 December, 2011 ("**Decree 201**"), Italian-resident individuals holding financial assets—including the Notes—outside Italy without the involvement of an Italian financial intermediary are required to pay a wealth tax currently at the rate of 0.20%. The wealth tax applies on the market value at the end of the relevant year or, in the absence of a market value, on the nominal value or redemption value of such financial assets held outside Italy. Taxpayers are permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the country where the financial assets are held (up to the amount of the Italian wealth tax due).

Stamp Taxes and Duties—Holding Through Financial Intermediary

According to Article 19 of Decree 201, a proportional stamp duty applies on a yearly basis currently at the rate of 0.20% calculated on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). For investors other than individuals, the annual stamp duty cannot exceed €14,000.00. Based on the law and the implementing

decree issued by the Italian Ministry of Finance on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on February 9, 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Transfer Tax

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

(a) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200.00, and

(b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €200,00 only in the case of use or voluntary registration or occurrence of the so-called "*enunciazione*".

Payments by an Italian Resident Guarantor

If an Italian resident guarantor (if any), makes any payments in respect of interest on the Notes (or any other amounts due under the Notes other than the repayment of principal) it is possible that such payments may be subject to withholding tax applied at a rate not exceeding 26% (20% up to June 30, 2014), subject to such relief as may be available under the provisions of any applicable double taxation treaty.

Certain U.S. Federal Income Tax Considerations

TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "***CODE***"); (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. holder (as defined below), except for the discussions below under "—*Foreign Account Tax Compliance*," and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the Code, Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service ("**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that hold the Notes through non-U.S. brokers or other non-U.S. intermediaries and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or

under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (determined based on the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euros that has accrued with respect to the Notes during an accrual period. The U.S. dollar value of such euro denominated accrued stated interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued stated interest income into U.S. dollars using the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (determined based on the spot rate on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as discussed above to the extent not previously included in income tax by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency based on the spot rate on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. If a U.S. holder uses foreign currency to purchase a Note, the cost of the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate on the date of purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and, except as discussed below with respect to foreign currency gain or loss, generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, redemption, retirement or other taxable disposition of the Note that is attributable to fluctuations in currency exchange rates generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Gain or loss attributable to fluctuations in currency exchange rates generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, determined at the spot rate on the date the U.S. holder disposes of the Note and the U.S. dollar value of the U.S. holder's purchase price for the Note, determined at the spot rate on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest which will be treated as discussed above under "—*Payment of Stated Interest*". However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize any foreign currency exchange gain or loss (including with respect to accrued interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Exchange of Foreign Currencies

A U.S. holder will have a tax basis in any euros received as stated interest or upon the sale, exchange, redemption, retirement or other taxable disposition of a Note equal to the U.S. dollar value thereof at the spot rate of exchange in effect on the date of receipt of the euros. Any gain or loss realized by a U.S. holder on a sale or other disposition of euros, including their exchange for U.S. dollars, will be ordinary income or loss generally not treated as interest income or expense and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

Treasury regulations issued under the Code meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount (e.g., $50,000 in the case of an individual or trust), such as the receipt or accrual of interest or a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals that own "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the tax year or more than $75,000 at any time during the tax year (or such larger values as specified in such legislation), generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at a U.S. financial institution.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on payments of "foreign passthru payments" made on certain debt instruments and the gross proceeds from the disposition of such debt instruments. However, the application of these rules is not clear. If the Company were treated as a foreign financial institution, debt instruments issued by it on or prior to the date that is six months after the date on which applicable final Treasury regulations are filed, generally would be "grandfathered" from FATCA unless "materially modified" (for U.S. federal income tax purposes) after such date. No such regulations have been issued yet. Accordingly, even if the withholding under FATCA were otherwise potentially applicable to payments on or with respect to the Notes, such withholding will not apply to those payments under grandfathering rules, unless the Notes were materially modified after the applicable date. Italy has entered into an intergovernmental agreement (an "**IGA**") with the United States to implement FATCA. The IGA and future guidance implementing the IGA may alter the rules described herein. Holders should consult their own tax advisors on the potential impact of FATCA, the Italian IGA and any non-U.S. legislation implementing FATCA on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is required or advisable with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated May 29, 2014 (the "**Purchase Agreement**"), by and among the Company, the Guarantors and Credit Suisse, as representative of the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, Notes in the principal amounts indicated in the following table:

Initial Purchasers	Principal Amount of Notes
Credit Suisse Securities (Europe) Limited	€ 50,000,000
BNP Paribas	€ 50,000,000
Banca IMI S.p.A.	€ 50,000,000
UniCredit Bank AG	€ 50,000,000
Total	€200,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel. The Company has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 180 days after the date the Notes are issued, to not, without having received prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by the Company or any Guarantor that are substantially similar to the Notes and Note Guarantees.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (1) outside the United States in offshore transactions in reliance on Regulation S and (2) in the United States to qualified institutional buyers in reliance on Rule 144A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of such Notes within the United States by a dealer that is not participating in the offering of the Notes may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

In connection with the offering of the Notes, Credit Suisse Securities (Europe) Limited (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing

Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers expect to make offers and sales both inside and outside the United States through their selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the U.S. Securities and Exchange Commission.

Each of the Initial Purchasers has also agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company or the Guarantors; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Group or the Notes in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resales of the Notes. Please see the section entitled "*Notice to Investors*" and "*Notice to Certain European Investors"*.

The Company and the Guarantors have agreed to indemnify each Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act. The Company will pay the Initial Purchasers a commission and pay certain fees and expenses relating to the offering of the Notes.

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified as the Issue Date of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (such settlement being herein referred to as "T+5"). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own adviser.

The Initial Purchasers and/or their respective affiliates have engaged, and may in the future engage, in investment banking, commercial banking transactions and/or other commercial dealings with, and may perform services to, us and our affiliates, in the ordinary course of business. In addition, in the ordinary course of their business activities, the Initial Purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve our securities and/or instruments or those of our affiliates. The Initial Purchasers and/or their respective affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and/or their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. They have received, and expect to receive, customary fees and commissions for these transactions. Among the Initial Purchasers, Banca IMI S.p.A. is a wholly-owned subsidiary of Intesa Sanpaolo S.p.A., which is the parent company whose banking group is the Intesa Sanpaolo Banking Group, and Banca IMI is a Joint Bookrunner with the others Initial Purchasers relative to the Issue of the Notes and receives fees, commissions and expenses reimbursement.

Furthermore, certain of the Initial Purchasers, or certain of their affiliates (namely, Intesa Sanpaolo Banking Group (of which Banca IMI S.p.A. is a member), BNP Paribas and UniCredit Bank AG and companies belonging to their groups) have made significant financing to the Issuer and its parent and group companies. See "*Description of Certain Financing Arrangements*". Furthermore, a portion of the proceeds from the Offering will be used to partially repay outstanding amounts of the Issuer's existing debt arising from such facility agreements. See "*Use of Proceeds*".

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

United States

The Notes and the Note Guarantees have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction, and, unless so registered, the Notes and the Note Guarantees may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Company is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers", commonly referred to as "QIBs", in compliance with Rule 144A under the U.S. Securities Act; and
- in offers and sales that occur outside the United States in accordance with Regulation S under the U.S. Securities Act.

The Company uses the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

If you purchase Notes, you will be deemed by your acceptance thereof to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes and the Note Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not the Company's "**affiliate**" (as defined in Rule 144 under the U.S. Securities Act), you are not acting on its behalf and you are either:

   (a) a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or

   (b) you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Company, the Guarantors or the Initial Purchasers or any person representing any of them has made any representation to you with respect to the Company or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Company and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Company and the Initial Purchasers.

(4) You are purchasing these Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any other securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act.

(5) In the case of any Rule 144A Notes, you agree on your own behalf and on behalf of any investor account for which you are purchasing the Rule 144A Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer

such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws, and any applicable local laws and regulations, and further subject to the our and the Trustee's rights prior to any such offer, sale or transfer (a) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (b) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED NOTES THAT ANY OFFER, SALE OR TRANSFER OF THIS NOTE IN THE CASE OF RULE 144A NOTES: PRIOR TO THE DATE (THE RESALE RESTRICTION TERMINATION DATE) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) MUST BE MADE ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY

THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

THE FAILURE TO PROVIDE THE COMPANY, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, A U.S. INTERNAL REVENUE SERVICE FORM W-9 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE OR AN APPLICABLE U.S. INTERNAL REVENUE SERVICE FORM W-8 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THE NOTES REPRESENTED BY THIS CERTIFICATE."

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Company and the Registrar that the restrictions set forth herein have been complied with.

(7) You acknowledge that:

(a) the Company, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Company and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements on behalf of such investor account.

(8) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(9) You understand that no action has been taken in any jurisdiction (including the United States) by the Company, the Guarantors or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Company or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*".

LEGAL MATTERS

The validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for the Company by Latham & Watkins (London) LLP with respect to matters of U.S. federal, New York state and Italian law and by Studio Arienti-Abruzzese with respect to matters of Italian taxation. Certain legal matters will be passed upon for the Initial Purchasers by White & Case LLP with respect to matters of U.S. federal, New York state and Italian law.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2011, 2012 and 2013, included in this Offering Memorandum, have been prepared in accordance with Italian-GAAP and have been audited by Reconta Ernst & Young S.p.A. whose independent auditors' report appears elsewhere herein. Reconta Ernst & Young S.p.A. is authorized and regulated by The Italian Ministry of Economy and Finance ("**MEF**") and registered on the special register of auditing firms held by the MEF. The registered office of Reconta Ernst & Young S.p.A. is at Via Po, 32, 00198 Rome, Italy.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request of any such holder or beneficial owner. Any such request should be directed to the Company's Investor Relations department at fax, +39 051 643 6186.

Upon request, the Company will provide you with copies of the Indenture, the form of the Notes and Note Guarantees. You may request copies of such document by contacting the, Investor Relations department of the Company at fax, +39 051 643 6186 or investor.relations@maccaferri.com.

The Company is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Company will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Reports*".

So long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, and the rules and regulations of the Irish Stock Exchange so require, we will make available the notices to the public in a leading newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or on the website of the Irish Stock Exchange, *www.ise.ie*, or in written form at places indicated by announcement, to be so published as previously mentioned, or by any other means considered equivalent by the Irish Stock Exchange.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is a joint stock company (*società per azioni* or *S.p.A.*) organized under the laws of the Republic of Italy. The Guarantors are Maccaferri do Brasil Ltda., BMD Texteis Ltda., Maccaferri Gabions CIS Ltd., Linear Composites Limited, Maccaferri Central Europe s.r.o., France Maccaferri S.A.S., Maccaferri (Malaysia) SDN BHD, Maccaferri de Bolivia LTDA, Maccaferri de Mexico, S.A. De C.V., Maccaferri China (Hong Kong) Co., Limited and Maccaferri Asia Limited organized under the laws of Brazil, Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia, Mexico, Hong Kong and Hong Kong, respectively.

Service of Process

None of the directors, officers and other executives of the Company and the Guarantors are residents or citizens of the United States. Furthermore, significantly all of the assets of the Company and the Guarantors are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Company or the Guarantors or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Company and each of the Guarantors has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Italy or the jurisdictions of certain of the Guarantors upon those persons or the Company or the Guarantors or over other subsidiaries of the Company *provided that* The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Enforcement of Judgments in Italy

The Notes offered hereby are governed by New York law. However, the Company's creation and issuance of the Notes (i.e. its corporate resolutions) is governed by Italian law.

We have been advised by Latham & Watkins LLP, our Italian counsel, that final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in Italy, *provided that* pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*) the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendant, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy.

In addition, we have also been advised by our Italian counsel, Latham & Watkins LLP, that if an original action is brought before an Italian court, the court may refuse to apply the U.S. law provisions or grant some of the remedies sought (*e.g.*, punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

Enforcement of Judgments in Brazil

Two of the Guarantors are organized under the laws of Brazil. We have been advised by our Brazilian counsel that judgments of United States courts for civil liabilities based upon the federal securities laws of the United States may be enforced in Brazil, subject to certain requirements described below. We have been advised by our Brazilian counsel that a judgment against us obtained outside Brazil would be enforceable in Brazil

without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). That confirmation will be available if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment was granted;
- was issued by a competent court after proper service of process on the parties, which service must be in accordance with Brazilian law if made in Brazil, or after sufficient evidence of the parties absence has been given, as required under applicable law;
- is final and therefore not subject to appeal;
- is for the payment of a determined sum of money;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not against Brazilian national sovereignty, public policy, good morals or public morality.

Notwithstanding the foregoing, we cannot assure you that confirmation will be obtained, that the process described above will be conducted in a timely manner or that Brazilian courts will enforce a monetary judgment for violation of the U.S. securities laws with respect to the notes.

We have also been advised by our Brazilian counsel that:

- claims based on the federal securities laws of the United States may be brought in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce liabilities against us (provided that provisions of the relevant documents and the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular claim); and
- the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain assets of ours in Brazil is governed and limited by provisions of Brazilian law.

A plaintiff, whether Brazilian or non-Brazilian, who resides outside of Brazil during the course of litigation in Brazil must provide a bond to guarantee the payment of the defendant's legal fees and court expenses if the plaintiff owns no real estate in Brazil that could secure that payment, except in the case of (i) collection claims that may be based on an instrument (*tìtulo executivo extrajudicial*), evidencing that (a) the debt total amount is exact ("*dìvida lìquida*"); (b) there does not exist any doubt in relation to the existence of the debt ("*dìvida certa*"); and (c) there does not exist any further condition or term pending for the payment of the debt ("*dìvida exigìvel*") and thus may be enforced in Brazilian courts through a summary enforcement proceeding ("*ação de execução*"), that constitutes a course of action to collect unpaid amounts more expeditious than an "ordinary collection action" ("*ação ordinària*"), or (ii) counterclaims as established under Article 836 of the Brazilian Code of Procedure. This bond must have a value sufficient to satisfy the payment of court fees and the defendant's attorney fees, as determined by a Brazilian judge. This requirement does not apply to the enforcement of foreign judgments, which have been duly confirmed by the Brazilian Superior Court of Justice.

Enforcement of Judgments in Russia

One of the Guarantors, Maccaferri Gabions CIS Ltd., is incorporated under the laws of the Russian Federation. Its principal offices are located in the Russian Federation. As a result, it may not be possible for you to serve process on Maccaferri Gabions CIS Ltd., its directors or executive officers in the United States or to enforce judgments obtained in U.S. courts against such persons or Maccaferri Gabions CIS Ltd., including those based on the civil liability provisions of the securities laws of the United States.

Moreover, Russian law does not expressly contemplate service of process on a party to a dispute through a third-party agent. In the absence of statutory provisions, relevant practice or case law in the Russian Federation in relation to the service of process through a third-party agent appointed by the party on which process is intended to be served, the validity and effectiveness of such a mechanism remain uncertain. Furthermore, pursuant to the Russian Civil Code, a power of attorney must satisfy certain requirements to be qualified as irrevocable, including a requirement to certify such power of attorney by a public notary. Notwithstanding any provision relating to the appointment of a process agent, under Russian law the appointment of an agent is not irrevocable unless it satisfies the requirements to an irrevocable power of attorney set out in the Civil Code.

Judgments rendered by a court in any jurisdiction outside the Russian Federation will generally be recognized by courts in the Russian Federation only if:

- an international treaty providing for recognition and enforcement of court judgments in civil or commercial cases exists between the Russian Federation and the country where the court judgment is rendered, or
- a federal law is adopted in the Russian Federation providing for the recognition and enforcement of such court judgments.

Consequently, a final court judgment for payment rendered in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in the Russian Federation. In order to enforce any such U.S. judgment in the Russian Federation, proceedings must first be initiated before a Russian court of competent jurisdiction. In such an action, a Russian court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below).

As of the date hereof, there is no international treaty providing for the reciprocal recognition and enforcement of court judgments (as opposed to arbitration awards) in civil and commercial matters between the Russian Federation and the United States and there is no Russian federal law providing for recognition and enforcement of U.S. court judgments in Russia. Consequently, should a judgment be obtained from a U.S. court, it may not be given direct effect in Russian courts. However, foreign court judgments are sometimes recognized and enforced by Russian courts on the basis of reciprocity, if courts of the country where the foreign judgment was rendered have previously enforced judgments issued by Russian courts. The existence of reciprocity must be established on a case-by-case basis at the time the recognition and enforcement of a foreign judgment is sought, depending on the foreign jurisdiction and the nature of the case. Therefore, it is not possible to predict whether in the future a Russian court will on the basis of reciprocity recognize and enforce a judgment issued by a foreign court, including a U.S. court.

However, even if a foreign court judgment might be recognized and enforced by a Russian court on the basis of an international treaty or reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Russian law and is conditional upon (amongst other things) the following:

- the relevant U.S. court having had jurisdiction over the original proceedings according to Russian conflicts of laws principles;
- the dispute not being subject to exclusive jurisdiction of Russian courts;
- the party against whom the relevant U.S. judgment is invoked having been given proper notice of the relevant proceedings;
- the relevant U.S. judgment having entered into full force and effect and having become binding on the parties;
- there not having been a prior decision of or pending proceedings in a Russian court or the court of another jurisdiction on the issues in question between the same parties;
- the relevant U.S. judgment and the enforcement thereof not contravening public policy in the Russian Federation;
- the Russian enforcement proceedings may be limited by statutes of limitation, lapse of time, and by laws relating to bankruptcy, insolvency, liquidation, administration, arrangement, moratorium, reorganization, or other laws relating to or affecting generally the enforcement of the rights of creditors, and claims may be or become subject to set-off or counterclaim;
- Russian courts should recognize and give effect to the choice of the governing law of the relevant agreements, subject to proof of such law and to any such court's:
  - application of conflict of law principles; and
  - determination as to whether (A) the application of foreign law contradicts (1) any public policy of the Russian Federation or (2) any mandatory provisions of Russian law, or (B) a statute makes the application of foreign law subject to reciprocity;
- If, in a court proceeding in the Russian Federation, the meaning of any foreign law is not established within a reasonable time, the Russian court would apply Russian law; and
- The Transaction Documents are drafted on an Anglo-American model and include terminology, formulations and approaches based on a legal style and practice other than that traditionally used in the

Russian legal system. For example, concepts such as "representation", "warranty" and "covenant" have no translation or distinctive legal meaning in Russian; and the concept of an "indemnity" carries no clearly defined legal consequences, and may confer no greater rights than a claim in damages. We do not know (and no court practice is available which makes clear) to what extent a Russian court would in practice, construe such concepts and similar terms of art in accordance with such foreign law and the legal practice prevailing in the relevant foreign jurisdiction.

In addition, it is questionable whether a Russian court would accept jurisdiction and impose civil liability if the original action was commenced in the Russian Federation, instead of the United States, and predicated solely upon U.S. federal securities laws.

Subject to the foregoing, investors may be able to enforce in the Russian Federation judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, the limitations described above may deprive investors of effective legal recourse for claims related to their investment in the Securities against Maccaferri Gabions CIS Ltd., its directors or executive officers and we cannot assure you that those judgments will be recognized or enforceable in the Russian Federation.

Enforcement of Judgments in England and Wales

One of the Guarantors, Linear Composites Limited (the "**English Guarantor**") is incorporated in and has its principal office in England. All the directors and executive officers of the English Guarantor live outside the United States. All the assets of the directors and executive officers of the English Guarantor are located outside the United States. All of the English Guarantor's assets are located outside of the United States. As a result, it may not be possible for you to serve process on such persons or the English Guarantor in the United States or to enforce judgments obtained in U.S. courts against such persons or such Guarantors including judgments based on the civil liability provisions of the securities laws of the United States.

The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or directly enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (amongst other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment and the enforcement of such judgment not contravening public policy in England;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature, or in respect of a penalty or fine or otherwise based on a law that an English court considers to relate to a penal, revenue or other public law;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980 and not being a judgment based on measures designated by the Secretary of State under Section 1 of that Act;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural or substantial justice;
- there not having been a prior decision of an English court or the court of another jurisdiction on the issues in question between the same parties;
- the English enforcement proceedings being commenced within six years of the date of such judgment;
- the enforcement of the judgment is not prohibited by statute;

- the bringing of proceedings in the relevant U.S. court was not contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (and the judgment debtor did not submit to the jurisdiction of that court); and
- no order has been made and remains effective under Section 9 of the U.K. Foreign Judgments (Reciprocal Enforcement) Act 1933 applying that section to U.S. courts including the relevant U.S. court.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

Enforcement of judgments in the Slovak Republic

One of the Guarantors, Maccaferri Central Europe s. r. o., is organized under the laws of the Slovak Republic. The United States and the Slovak Republic do not presently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, in civil and commercial matters in the Slovak Republic. Therefore, judgments rendered by U.S. courts are not currently automatically recognized and enforceable in the Slovak Republic.

In order to make a judgment of a U.S. court enforceable in the Slovak Republic, the judgment must first undergo a court proceeding for its recognition.

According to the Act No. 97/1963 Coll. on Private International Law and Rules of International Procedure, as amended, a Slovak court will not recognize and allow the enforcement of a judgment issued by a U.S. court if:

- the matter is within the exclusive competence of the courts of the Slovak Republic pursuant to its laws, or is beyond the competence of any judicial proceedings of the U.S. court, as determined by the laws of the Slovak Republic;
- the decision is not final or enforceable in the jurisdiction where it has been issued;
- the decision is not a decision on the merits of the matter;
- the party against whom such judgment is sought to be enforced has been deprived of the opportunity to participate in the foreign proceedings, especially if the summons or motion to commence the foreign proceedings has not been duly served on the party; this exception does not apply if the party has not filed an appeal against the foreign judgment which has been duly served on it or if the party has waived the applicability of this exception;
- a final decision in the same matter had been previously issued by a court of the Slovak Republic or by a foreign authority if that foreign authority’s decision was recognized in the Slovak Republic or meets the criteria for being recognized; or
- the recognition of the U.S. judgment would be contrary to public policy (in Slovak: “*verejný poriadok*”) of the Slovak Republic.

Conversely, if none of the above would apply to the U.S. judgment, it would be recognized and enforced in the Slovak Republic.

Nonetheless, if this is not explicitly precluded by the respective arrangements with the Slovak Guarantor on dispute resolution (e.g., there is no agreed exclusive jurisdiction of the U.S. courts), the investors have the option to commence proceedings against the Slovak Guarantor directly in the court of the Slovak Republic in whose proceedings the judgment rendered by the U.S. court would serve as documentary evidence. However, such proceedings could be very lengthy due to the fact that the acting Slovak court would have to ascertain the applicable U.S. law as the substantive law governing the subject matter of the proceedings. Moreover, there is no guarantee that the substance of the judgment of the Slovak court would be identical to the one issued by the U.S. court, as the Slovak court would not be bound by the U.S. judgment which is evaluated only as a piece of documentary evidence. Furthermore, in such case the Slovak court may even refuse to apply a foreign law if the application of such foreign law would create a result that would be contrary to the basic principles of Slovak law, including but not limited to public policy (in Slovak: “*verejný poriadok*”), and apply Slovak law instead (with unpredictable consequences).

In any case, enforcement of a recognized U.S. judgment in the Slovak Republic against the Slovak Guarantor and its assets located in the Slovak Republic would be subject to, and limited by, the applicable Slovak law regulating enforcement of domestic court judgments.

Enforcement of Judgments in France

France Maccaferri S.A.S., a Guarantor of the Notes offered hereby, is organized under the laws of France with its registered office or principal place of business in France (the "**French Entity**"). The directors, officers and other executives of the French Entities are neither residents nor citizens of the United States (the "**French Individuals**"). Furthermore, most of the assets of the French Entities or the French Individuals are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons and entities, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws within the United States. However, it may be possible for investors to effect service of process within France upon those persons or entities, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with. The following is a summary of certain legal aspects of French law regarding the enforcement of civil law entitlements connected with the Notes against the French Entity and/or the French Individuals.

The Company has been advised by Latham & Watkins A.A.R.P.I., its French counsel, that the United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non ex parte*) proceedings if such U.S. Judgment is enforceable in the United States and if the French civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (i.e., there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, including fair trial rights; and
- such U.S. judgment is not tainted with fraud under French law.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (i.e. those having *a res judicata* effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68 678 of July 26, 1968, as modified by French law No. 80 538 of July 16, 1980 and French Ordinance No. 2000 916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78 17 of January 6, 1978 on data processing, data files and individual liberties, as most recently modified by French Ordinance No. 2011 1012 of August 24, 2011) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case by case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French Individuals. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (Article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

The French Supreme Court (*Cour de cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (*potestative*). Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

Enforcements of Judgments in Malaysia

One of the Guarantors is incorporated in Malaysia and has its principal office in Malaysia.

The United States and Malaysia currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters.

Consequently, the courts of Malaysia will not automatically register and enforce a judgment by any federal or state court in the United States based on civil liability. However, a final and conclusive judgment properly obtained against such Guarantor in the courts of the United States in respect of any sum payable by such Guarantor could be sued upon and a judgment could be obtained in the courts of Malaysia without re-examination or re-litigation of the matters adjudicated upon if:

- the judgment is not contrary to public policy in Malaysia;
- the judgment was not given or obtained by fraud or duress or in a manner contrary to natural justice;
- the judgment is not directly or indirectly for the payment of taxes or other charges of a similar nature or of a fine or other penalty;
- the judgment was given by a court of competent jurisdiction in such jurisdiction and was not obtained in proceedings in which the judgment debtor being the defendant in the original court did not receive notice of those proceedings in sufficient time to enable it to defend the proceedings and did not appear;
- the judgment has not been wholly satisfied and is enforceable by execution in the original court;
- the judgment is final and conclusive between the parties thereto;
- the judgment is for a fixed sum and not for multiple damages;
- the judgment is not directly or indirectly intended to enforce the penal or revenue laws or sanctions imposed by the authorities of such jurisdiction;
- the judgment is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter;

- the judgment is vested in the person by whom the application for registration was made; and
- the enforcement of proceedings is instituted within six years after the date of the judgment.

Subject to the foregoing, an investor may have to rely entirely on the principles of common law to enforce the judgment by instituting a fresh suit in Malaysia based either on the judgment or on the original cause of action.

Enforcement of Judgments in Bolivia

One of the Guarantors is incorporated under the laws of Bolivia. With regard to the enforcement, in Bolivia, of judgments issued abroad, articles 552 to 561 of the Bolivian Civil Procedure Code dictate that judgments from foreign countries shall be enforced in accordance to the corresponding applicable treaties. In case there were no applicable treaties, Bolivian legislation applies the principle of reciprocity, in which case Bolivian courts grant foreign sentences the same force as if such judgments had been issued in Bolivia.

To the best of our knowledge, no such treaties exist for the enforcement and execution of commercial judgments and, with regards to the principle of reciprocity, which applies to countries, to our knowledge, such reciprocity between the U.S. and Bolivia has been extremely limited.

Consequently, under article 555 of the Bolivian Code of Civil Procedure, a foreign judgment not subject to a treaty or a principle of reciprocity, such as this case, can be enforced in Bolivia upon completion of the procedure for recognition of foreign judgments provided, that:

- the action that resulted in such judgment was an "*in-personam*" action, or an "*in-rem*" action relating to a movable good transferred to Bolivia during or after action was initiated in the relevant foreign jurisdiction;
- any defendant in the action that resulted in such judgment having a residence in Bolivia has been duly called to appear in court in Bolivia;
- the obligation to which such judgment relates is valid under Bolivian law;
- such judgment would not violate Bolivian law or public policy;
- such judgment has the effect of res judicata, in consistency with the laws of the country where it was rendered;
- such judgment complies with all relevant requirements of the laws of the jurisdiction in which it was rendered so as to be considered authentic under Bolivian law; and
- such judgment would not be incompatible with a prior decisions rendered in Bolivia.

However, despite this procedure, there is limited judicial precedent whereby a Bolivian Court would have heard a case and ruled on a contract governed by foreign laws.

In addition, as was mentioned in previous correspondence, the recognition of foreign judicial rulings is subject to the authorization by the Bolivian Supreme Court. In view of the delay in the review of the pending cases by the Supreme Court, any new proceedings would be subject to delays until the current pending cases are resolved, which already have an average of a two-year delay.

Once reviewed, and if found enforceable under the conditions provided above, the Supreme Court forwards the sentence to the tribunal which would have been competent to review the claim in Bolivia in order to request its enforcement.

Enforcement of Judgments in Mexico

One of the Guarantors is incorporated under the laws of Mexico. In relation to the recognition and enforcement of judgments in Mexico, Mexico and the United States are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments in commercial subjects, so that the enforcement of any judgment from a court in the United States in Mexico shall be subject to Mexican Law, including the Mexican Commerce Code (*Código de Comercio*).

Under the Mexican Commerce Code foreign judgments will be enforceable in the competent courts of Mexico, if:

- That all formalities provided in international treaties of rogatory letters from abroad that Mexico has executed have been fulfilled.;

- Such judgment is final in the jurisdiction where obtained, translated into Spanish and Apostilled or legalized, as applicable (if it was not transmitted to the authority through judicial channels);
- Such judgment is strictly for the payment of a certain sum of money, based on an *in personam* (as opposed to an *in rem*) action;
- The judge or court rendering the judgment was competent to hear and judge on the subject matter of the case in accordance with accepted principles of international law that are compatible with Mexican law;
- Service of process is made personally on the defendant or on its duly appointed process agent;
- Such judgment does not contravene Mexican law, public policy of Mexico, international treaties or agreements binding upon Mexico or generally accepted principles of international law;
- The applicable procedure under the laws of Mexico with respect to the enforcement of foreign judgments (including the issuance of a rogatory letter by the competent authority of such jurisdiction requesting enforcement of such judgment and the certification of such judgment as authentic by the corresponding authorities of such jurisdiction in accordance with the laws thereof) is complied with;
- The action in respect of which such judgment is rendered is not the subject matter of a lawsuit among the same parties, pending before a Mexican court; and
- The judgment fulfills the necessary requirements to be considered authentic.

Notwithstanding compliance with the above conditions, a Mexican judge may still refuse enforcement if the courts of such jurisdiction do not recognize the principles of reciprocity in connection with the enforcement of Mexican judgments in such jurisdiction

Enforcement of Judgments in Hong Kong

We have been advised by Latham & Watkins, our Hong Kong counsel, that Hong Kong has no statutory or other arrangement for the reciprocal enforcement of judgments between Hong Kong and the United States. A judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, cannot be enforced by registration in Hong Kong.

Subject to the Foreign Judgments Restriction on Recognition and Enforcement Ordinance (Cap. 46 of the Laws of Hong Kong), a judgment given by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, may be enforced in Hong Kong under the common law in certain circumstances by commencing a substantive action before the Hong Kong courts in accordance with applicable civil procedure rules of the Hong Kong courts, and then seeking summary or default judgment based on the U.S. judgment, provided that the U.S. judgment is for a definite sum of money and is final and conclusive on the merits.

Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- was obtained by fraud, misrepresentation or mistake or obtained in proceedings which contravene the rules of natural justice;
- was rendered by a foreign court which lacked appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- is contrary to public policy in Hong Kong (as currently applied by the courts of Hong Kong) or natural justice (in particular in circumstances where the defendant did not have adequate opportunity to defend the claim) under Hong Kong law;
- is for a sum payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty;
- is inconsistent with a prior Hong Kong judgment or foreign judgment which is entitled to recognition in Hong Kong;
- is not enforced within six years after the date of judgment;
- is impeachable according to the rules on conflict of laws in Hong Kong;
- is in relation to a judgment the enforcement of which is against a party that is a sovereign state or state entity;

- is barred from enforcement by or in breach of the provisions of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Cap. 46 of the Laws of Hong Kong); or
- was a judgment for multiple damages (or a judgment for contribution towards such damages) or a judgment based on a provision or rule of law specified by the Chief Executive of Hong Kong as concerned with the prohibition of restrictive trade practices pursuant to the Protection of Trading Interests Ordinance (Cap. 471 of the Laws of Hong Kong).

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Note Guarantees and a summary of certain insolvency law considerations in Italy, Brazil, Russia, England and Wales, Slovakia, France, Malaysia, Bolivia, Mexico and Hong Kong, the jurisdictions where the Company and Guarantors are organized. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Note Guarantees. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Company and the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings, as amended (the "**EU Insolvency Regulation**"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "centre of main interests" in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a "debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties." The courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's "centre of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition.

The EU Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation. If the "centre of main interests" of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its centre of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to "winding up proceedings" listed in Annex B of the EU Insolvency Regulation. Where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment where either (a) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's centre of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of

the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

Italy

Limitation on granting of guarantees and on enforcement under Italian law

The obligations under a guarantee provided by a guarantor incorporated under the Italian law (each an "**Italian Guarantor**") are subject to compliance with Italian rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions.

An Italian company granting a guarantee must receive a real and adequate benefit in exchange for the guarantee. While the existence of a corporate benefit in relation to a down-stream guarantee is usually self-evident, the existence of a corporate benefit in relation to a cross-stream or up-stream guarantee should be carefully considered on a case by case basis (such as in the case of Subsidiary Guarantors which are providing the Note Guarantees in connection with the Notes offered hereby).

The concept of "corporate benefit" is not expressly defined under Italian law and its existence is purely a business decision of the directors. The general rule is that the risk taken by the Italian Guarantor must not be disproportionate to the economic benefit to the Italian Guarantor. Examples of real and adequate benefits in relation to cross-stream or up-stream guarantees include access to cash flow in the form of intercompany loans granted to the Italian Guarantor by other members of the group.

In principle, absence of a real and adequate benefit could make the Note Guarantees *ultra vires* and potentially affected by conflict of interest.

As a result, civil liabilities may be imposed on the directors of an Italian Guarantor if it is assessed that they did not act in the best interest of such Italian Guarantor and that the acts they carried out do not fall within the corporate purpose of the relevant Italian Guarantor. Furthermore, criminal sanctions may apply to the directors under Article 2634 of the Italian Civil Code, if violation of paragraph 5 of Article 2358 of the Italian Civil Code is found to have occurred (related to a granting of a guarantee utilized for the purchase of its own shares). The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian Guarantor or having knowingly received an advantage or profit from such improper control. However, no liability can be attributed where no prejudice or actual damage is suffered by the Guarantor because of the determination of the controlling shareholder as provided under Article 2497 of the Italian Civil Code having regard to the overall result of the controlling activity. Moreover, the Note Guarantees could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party involved in the transaction and such third party acted intentionally against the interest of such Italian Guarantor.

As to corporate authorizations prospective, the granting of a guarantee by an Italian company in favor of third parties or other corporations belonging to the same group of companies of the Guarantor must be permitted by the by-laws (*statuto*) of the Italian company providing such guarantee.

A corporation is forbidden from providing financing and/or releasing guarantees in relation to the acquisition of its own shares as it would result in unlawful financial assistance within the meaning of Article 2358 of the Italian Civil Code (and the corresponding provision applicable to Italian limited liability companies, as set out under Article 2474 of the Italian Civil Code) pursuant to which, subject to specific exceptions, it is unlawful for a company to provide financial assistance (whether by means of loans, guarantees or otherwise) for the acquisition of its own shares by a third party (or, under certain circumstances, the acquisition of the shares of its, direct or indirect, holding company).

Financial assistance for the refinancing of indebtedness originally incurred for the purchase or subscription of its own shares or those of its direct or indirect holding company may also be construed as a violation. In addition, directors may be personally liable for failure to act in the best interests of the company.

In the light of the above, in no event shall the obligations and liabilities of an Italian Guarantor under a guarantee include the obligation to guarantee financial indebtedness which was incurred, in full or in part, to purchase the shares of such Italian Guarantor and which would therefore constitute the provision of financial

assistance within the meaning of Article 2358 and/or Article 2474, as the case may be, of the Italian Civil Code and/or any other law or regulation having the same effect, as interpreted by Italian courts.

If the proceeds of the Notes were to be used for the acquisition of shares in the Subsidiary Guarantors (the entities which, among others, provided the Note Guarantees), this may be construed as a violation of Article 2474 and/or Article 2358 of the Italian Civil Code whereas, in the latter case, an authorization proceeding in the shareholders' meeting is not implemented. To this extent the total value of the guarantee cannot exceed the profits and the distributable reserves as resulting from the approved financial statements.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Legislative Decree No. 385 of September 1, 1993 (the "**Italian Banking Act**"), whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, inter alia, entail the Note Guarantees being considered null and void. However, in the framework of a wider reorganization of financial intermediary services in Italy and while waiting for implementing regulations of the recently amended Article 106 of the Italian Banking Act, the Legislative Decree No. 141 of August 13, 2010 states that the issuance of guarantees by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above described rules, subject to the Italian Guarantor and the guaranteed entity being part of the same group of companies, the provision of the Note Guarantees would not amount to a restricted financial activity.

In addition, under Article 1938 of the Italian Civil Code, if a personal guarantee is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held, that such determination must be proportionate to the relevant guarantor's assets. It is uncertain, however, whether courts are entitled to debate and to rule over such determination.

Certain Italian insolvency law considerations

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**") are to maintain employment and to liquidate the debtor's assets for the satisfaction of creditors. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary, status, in order for a court to hold that a company is insolvent.

Only corporations whose indebtedness and assets values exceed certain thresholds are subjected to bankruptcy proceeding (as further indicated). In addition to the above, the following pre-insolvency proceedings are currently available under Italian law for companies facing financial difficulties or temporary cash flow shortfall and, in general, financial distress.

Italian Bankruptcy Law provides for three models of pre-insolvency proceedings, namely: (1) court pre-bankruptcy composition with creditors (*concordato preventivo*) ("**CP**"), (2) debt restructuring agreements (*accordi di ristrutturazione dei debiti*) ("**DRA**") and (3) certified restructuring plans (*piani attestati di risanamento*) ("**CRP**"); however, it should be noted that only the CP is listed in Annex A to the EU Insolvency Regulation. Restructuring plans may cover up to a five-year period.

It should be noted that all of the above mentioned pre-insolvency proceedings often require creditors to compromise on their right to be fully satisfied. The debtor may offer to creditors (with the exclusion of secured creditors in the CP proceeding) partial settlement of their claims.

Restructuring outside of a judicial process

Restructuring generally takes place through a formal judicial process because it is more favorable to the debtor and because out-of-court arrangements put in place as a result of an out-of-court restructuring (other than those put in place under the safe harbor of an out-of-court reorganization CRP pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law, which exempts—provided all actions indicated in the plan are fully implemented—debt restructuring agreements with creditors and court supervised pre-bankruptcy arrangement with creditors from insolvency claw-back and the exemption from certain criminal law provisions on bankruptcy with reference to those transactions executed as part of the CRP) are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger civil or criminal liabilities in the event of a subsequent bankruptcy.

Certified restructuring plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law (piani attestati di risanamento)

Out-of-court CRPs (*piani attestati di risanamento*) are based on restructuring plans (*piani di risanamento attestati*) prepared by companies for the purpose of restructuring their indebtedness and ensuring the recovery of their financial condition, the feasibility of which, together with the truthfulness of debtor's business (and accounting) data, must be assessed by an independent expert directly appointed by the debtor. The expert can only be selected and appointed among those possessing certain specific professional requisites and qualifications (e.g., being registered in the auditors' registrar), and meeting the requirements under Article 2399 of the Italian Civil Code. The expert may be subject to liability in case of misrepresentation or false certification.

CRPs are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or other supervising authority. CRPs do not require to be approved and consented by a specific majority of all outstanding claims. Following a restructuring plan, there is no entrustment of business to another entity, therefore the debtor remains entitled to manage its business.

The terms and conditions of the restructuring plans are freely negotiable. Unlike in CP and DRA proceedings, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although, upon request of the debtor, a CRP can be published in the relevant companies' register and, in such case creditors would benefit from a reduction in debtor tax liability).

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts must be ratified ("*omologati*") by a court. An independent expert, directly appointed by the debtor, must assess—in addition to the truthfulness of the debtor's business data—that the agreement is feasible and, in particular, that it ensures that the non-participating creditors can be fully satisfied within 120 days from (i) the ratification ("*omologazione*") of the DRA by the court, in case the relevant claims are already due and payable to the non-participating creditors as at the date of the ratification ("*omologazione*") of the debt restructuring agreement by the court or (ii) from the date on which the relevant debts fall due, in case the relevant claims are not yet due and payable to the nonparticipating creditors as of the date of the sanctioning of the restructuring agreement by the court. Only a debtor who is in a situation of "financial distress" (i.e., facing financial distress which does not yet amount to insolvency) can initiate such process and request the court's confirmation ("*omologazione*") of the DRA, which must be entered into with creditors representing not less than 60% of the company's debts.

The DRA, which may consist of separate agreements reached with each creditor, must be published in the Italian companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions

over the assets of the debtor in relation to pre-existing claims and cannot obtain any new and additional security interest in relation to the pre-existing debts, overdue prior to the DRA formation. Such moratorium can be requested, pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law, by the debtor to the court pending negotiations with creditors (prior to the DRA's execution and publication) subject to the fulfillment of certain conditions. A DRA may also contain a proposed tax settlement for the partial or deferred payment of certain overdue taxes, as provided in Article 182-*ter* of the Italian Bankruptcy Law.

The application for a moratorium must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for the hearing within 30 days from the filing of the request and orders the company to file the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders, that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which such order has to be published in the companies' register and it sets the deadline to finalize the DRA. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the CP (as described below) may be filed, without prejudice to the effect of the moratorium.

Creditors may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financings granted to a debtor "in execution of" (*in esecuzione di*) a DRA, as well as of a CP benefit of a super senior status. Additionally, even the financings granted "in view of" (*in funzione di*) the filing of a petition for the sanctioning (*omologazione*) of an agreement pursuant to Article 182-*bis* or a *concordato preventivo* procedure benefit of the same super senior status in case of subsequent bankruptcy of the debtor where such financings are contemplated under the underlying restructuring plan and the super priority status is expressly recognized by the court in the context of the sanctioning (*omologazione*) of the Article 182-*bis* agreement or the approval of the *concordato preventivo* procedure. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the DRA agreement pursuant to Article 182-bis, Paragraph 1, or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with in rem securities ("*garanzie reali*"), provided that the expert appointed by the debtor declares that the new financing aims at providing a better satisfaction of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, already payable and due, provided that the expert declares that such payments are essential for the company to operate. This possibility may be available to the applicant whereas its business activity is kept as a going concern.

It should be specified that the provision of Article 182-*quinquies* of the Italian Bankruptcy Law applies to both DRA and to CP.

Court supervised pre-bankruptcy arrangement with creditors pursuant to Article 161 of the Italian Bankruptcy Law (concordato preventivo)

In general, pursuant to Article 1 of Italian Bankruptcy Law, corporations are submitted to CP provisions and/or to bankruptcy where any of the following thresholds are exceeded (i) assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years or (iii) total indebtedness (including debt not overdue and payable) in excess of €0.5 million.

A company, which is a situation of "financial distress and/or crisis" that has not been declared insolvent by the court, has the option to seek an arrangement with its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceeding.

Only the debtor company can file a petition at court for a CP which must be accompanied and supported by a restructuring plan proposed to the creditors and an independent expert report assessing, *inter alia*, the feasibility of the arrangement proposal and the truthfulness of the business data on which the plan is grounded. Following

the filing of the petition with the court, the petition is published by the court in the companies' register. Between the publishing in the companies' register of the CP proposal and its sanction by the court, all enforcement actions by the creditors (whose title to enforcement arose before filing with the court) are stayed. In addition, during this time, pre-existing creditors cannot obtain security interests (unless authorized by the court) and the mortgages registered within 90 days preceding the date on which the petition for the CP is published in the Italian companies' register are ineffective against such pre-existing creditors. In addition, the arrangement proposal may provide for, *inter alia*: (i) the restructuring of debts and the satisfaction of creditors' claims, in any manner, including by way of example, through extraordinary transactions such as the granting to creditors and their subsidiaries or affiliated companies of shares, bonds (also convertible into shares), or other financial instruments and debt securities; (ii) the transfer to a receiver (*assuntore*) of the operations of the business involved in the proposed arrangement agreement; (iii) the placing of creditors into different classes (thereby proposing different treatments among the classes); and (iv) different treatments for creditors belonging to different classes.

The arrangement proposal may provide that: (i) the debtor's company's business continues to be run by the debtor company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated. In both cases, the petition for the CP should fully describe the costs and revenue which are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conductive to the satisfaction of creditors' claim to a greater extent than if such arrangement proposal was not implemented. Furthermore the going concern-based arrangement with creditors can provide also the winding-up of those assets which are not functional to the business. The arrangement agreement may also provide a proposed tax settlement for the partial or deferred payment of certain taxes.

The court determines whether the proposal for the arrangement is admissible, in which case the court, inter alia, delegates a judge (*giudice delegato*) to follow the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditor meeting. During the implementation of the arrangement, the company is managed by its corporate bodies (usually its board of directors) under the supervision of such judicial officer(s) and under the supervision of a judge delegated by the court the debtor is allowed to carry out urgent extraordinary transactions, only upon the prior court's authorization, while ordinary transactions may be carried out without authorizations. Third party claims, related to the interim acts legally carried out by the debtor, are super-senior pursuant to Article 111 of the Italian Bankruptcy Law.

The CP proposal is voted on at a creditors' meeting and must be approved with the favorable vote of creditors representing the majority of credits entitled to vote. If the proposal provides for different classes of creditors, the approval of the plan also requires the favorable vote of creditors representing the majority of credits admitted to within each class and the approval of the majority of such class. Creditors who, being entitled to vote, did not do so and whom did not express their dissent (including failing to notify their objection via telegraph, fax, mail or certified e mail) within 20 days of the closure of the minutes of the creditors' meeting are deemed to have consented to the CP.

The court may also approve the CP (notwithstanding the circumstance that one or more classes objected to the CP) if (i) the majority of the classes has approved the CP and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through the CP compared to other solutions known as a "cram down." If the proposal does not provide for classes of creditors and if any objection to the implementation of the CP is filed by at least 20% of the creditors entitled to vote, the court nevertheless confirms the CP if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the CP than would be otherwise be the case.

After the creditors' approval, the court (after having settled possible objections raised by the dissenting creditors, if any) must confirm the CP proposal by issuing a confirmation order.

If the approval of the CP fails, the court may, upon request of the public prosecutor or a creditor and after having ascertained the condition for declaration of bankruptcy, declare the company bankrupt.

Pre-application for the composition with creditors (concordato preventivo), even in view of a restructuring agreement (accordo di ristrutturazione del debito)

The filing of the application for the certification of a restructuring arrangement (a*ccordo di ristrutturazione del debito*) and the application for a composition with creditors (*concordato preventivo*) may be pre-empted by the filing by the debtor distressed company of a pre-application for a composition with creditors (*concordato*

preventivo). In particular, according to Article 161(6) of the Italian Bankruptcy Law, the distressed company may file a pre-application for the composition with creditors together with (i) the financial statements of the last three financial years and, pursuant to the recent law Italian law decree no 69/2013 as converted into law No. 98 of August 9, 2013 ("**Law Decree 69/2013**") (ii) the list of creditors with the reference to the amount of their respective receivables, asking the competent court to set a deadline, between 60 and 120 days (subject to a further extension of up to 60 days where there are reasonable grounds (*giustificati motivi*)) for the filing of additional documents required for the filing of a petition at court for a CP. Pursuant to Law Decree 69/2013, the court, if accepts such pre-application, may appoint a judicial commissioner to overview the company, who, in the event that the debtor has carried out one of the activities under article 173 of the Italian Bankruptcy Law (e.g. concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a concordato preventivo and (ii) sets forth reporting and information duties of the company during the above mentioned period. The debtor company may not file such pre application where it had already done so in the previous two years without the admission to the CP (or the certification of a DRA) having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (relating also to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published, the following day, in the companies register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed Company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, *ex officio*, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents. Following the filing of the pre application and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the Court's authorization to carry out acts pertaining to its extraordinary activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company are treated as super senior (*prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9 of February 21, 2014 specified that the superseniority of the claims—which arise out of loans granted with a view to allowing the filing of the pre-application for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the CP within the same proceeding opened with the filing of the pre-application.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (*fallimento*) for the judicial liquidation of its assets can be filed by the same debtor, any number of creditors and, in some cases, by the public prosecutor. The bankruptcy is declared by the competent bankruptcy court. The bankruptcy proceedings under Italian Bankruptcy Law is applicable only if the company meets any of the following thresholds: (i) assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the latest three fiscal years; (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the latest three fiscal years; or (iii) total indebtedness in excess of €0.5 million.

Upon the commencement of a bankruptcy proceeding:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt entity's other unsecured debt. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;
- the administration of the debtor and the management of its assets pass from the debtor to the bankruptcy receiver; and
- any act of disposition or transaction (including payments) made by the debtor after a declaration of bankruptcy, other than those made through the receiver, is ineffective. Although the general rule is that

the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are governed by specific rules provided for by Italian Bankruptcy Law.

The bankruptcy proceeding is carried out and supervised by a court appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is responsible for the liquidation of the assets of the debtor for the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate properties. The Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and including the costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Unsecured creditors are therefore satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

The following features of bankruptcy proceedings also merit mention:

- **Bankruptcy arrangement with creditors (*concordato fallimentare*).** A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy arrangement proposal with creditors. The relevant petition can be filed by one or more creditors or third parties starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before two years from the decree granting effectiveness to the bankruptcy's estate. The petition may provide for the placing of creditors into different classes (thereby proposing different treatments among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The concordato fallimentare proposal must be approved by the creditors' committee and the creditors holding the majority of claims (and, if classes are formed, by a majority of the claims in a majority of the classes). Final court confirmation is also required.
- **Statutory priorities.** The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other European Union jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid, including the costs related to the receiver's running of the company during the proceedings) are the claims of preferential creditors including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The claims of secured creditors have priority, subject to certain claims preferred by operation of law, on the proceeds deriving from the liquidation of the secured assets, net of administrative and maintenance costs incurred during the proceedings by the receiver to preserve the value of the secured assets. To the extent the proceeds of the sale of the secured assets are not sufficient to fully satisfy the secured claim, the latter will participate with the unsecured creditors in the distribution of the proceeds of the disposal of the remaining assets. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law sets a hierarchy of claims that must be strictly adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate a part thereof, or from a single asset.
- **Avoidance powers in insolvency.** Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian Bankruptcy Law that may give rise, inter alia, to the revocation of payments or granting of security interests or other transactions made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, transactions made with a view to defraud creditors or to advantage one creditor. Bankruptcy claw-back rules under Italian law are normally considered to be particularly favorable to the receiver compared to the rules applicable in other jurisdictions, which you may be familiar with. In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months under certain circumstances) and a two year ineffectiveness period for certain other transactions.

In particular, the Italian Bankruptcy Law distinguishes between acts or transactions, which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner:

Acts ineffective by operation of law. Under article 64 of the Italian Bankruptcy Law, all transactions entered into for no consideration are ineffective vis à vis creditors if entered into by the bankrupt entity in the two year period prior to the insolvency declaration. Moreover, under article 65 of the Italian Bankruptcy Law,

payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis à vis creditors, if made by the bankrupt entity within the two year period prior to the insolvency declaration.

Acts and transactions that may be avoided at the bankruptcy receiver's request. These can include the following:

(i) The following acts and transactions, if made during the relevant period as specified below, may be avoided and declared ineffective, unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

- transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, made by the bankrupt entity which were not paid in cash or by other customary means of payment in the year before the insolvency declaration;
- pledges and voluntary mortgages granted by the bankrupt entity in the year before the insolvency declaration in order to secure pre-existing debts which have not yet fallen due; and
- pledges and judicial and/or voluntary mortgages granted by the bankrupt entity in the six months before the insolvency declaration in order to secure mature debts.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves (also by way of presumptions) that the other party knew that the bankrupt entity was insolvent:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months before the insolvency declaration; and
- deeds granting pre-emptive rights in favor of debts (even those of third parties) which are simultaneously created and made within six months before the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account, provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main place of business of the purchaser and the purchaser has already commenced its business activity in the relevant premises or made investments to that end, as of the date of which the bankruptcy is declared;
- transactions entered into, payments made and guarantees issued with respect to the bankrupt entity's goods, provided that they concern the implementation of CRP which allows for the restructuring of the debt and for the improvement of its financial position, provided that such plan is certified as reasonable by an expert eligible to be appointed as a bankruptcy receiver, as provided by Article 28, let. a) and b) and 67, paragraph 3, letter d) of the Italian Bankruptcy Law, registered in the accounting auditors' register, independent possessing the requisites under Article 2399 of the Italian Civil Code,
- a transaction entered into, payment made or guarantee issued to implement a "*concordato preventivo*" or an "*accordo di ristrutturazione del debito*" under Article 182-bis of the Italian Bankruptcy Law and transactions entered into, payments made and security interests granted after the filing for the application for a *concordato preventivo* pursuant to Article 161 of the Italian Bankruptcy Law (see above);
- remuneration payments to the bankrupt entity's employees concerning work carried out by them; and
- payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to CP procedure.

In addition, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared void within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*). Under

Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). Burden of proof is entirely with the receiver.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

This is an extraordinary administration procedure available under Italian law for large industrial and commercial enterprises (commonly referred to as the "**Prodi-bis procedure**"). The same rules set forth for bankruptcy proceeding with respect to creditors' claims largely apply to an extraordinary administration proceeding as well as the hierarchy of claims to be adhered to in distributing any available asset. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company business activity.

To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. The procedure may be commenced by petition of one or more creditors, the debtor, the public prosecutor or upon the competent court's own initiative.

There are two main phases within the Prodi- bis procedure: an administrative phase and a judicial phase.

In the administrative phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints a judicial receiver (or up to three) (*commissiario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submits a report to the court (within 30 days from insolvency declaration) together with an opinion from the Italian Ministry of Economic Development (the "**Ministry**").

The court has 30 days to decide whether to admit the company to the Prodi- bis procedure or declare it bankrupt.

Assuming that the company is admitted to the extraordinary administration procedure, the judicial phase begins and the extraordinary commissioner(s), appointed by the Ministry, prepare a restructuring plan. The plan can provide for either the sale of the business as a going concern within 1 year (unless extended by the Ministry) (the "**Disposal Plan**") or a turnaround leading to the company's economic and financial recovery within 2 years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include an arrangement with creditors (e.g. debt for equity swap, issue of shares in a new company to whom the assets of the Company have been transferred).

The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). The procedure ends upon successful completion of either a Disposal Plan or Recovery Plan, however should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

New extraordinary administration proceedings have been enacted (Law Decree No. 347 of 23 December 2003, as converted into Law No. 39 of 2004 and subsequently amended). This is a new extraordinary administration procedure introduced in 2003, known as the "**Marzano procedure**." It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the Prodi-bis procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including

those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) submits a Disposal Plan or Recovery Plan within 180 days from his appointment (or 270 days if the Ministry so agrees). The restructuring through the Disposal Plan or the Recovery Plan must be fully implemented within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and start bankruptcy proceedings.

In 2008, the Italian government enacted an amendment to Law No. 39 of 2004. The reform introduced certain specific provisions applying to large companies carrying out services considered essential to the public.

Brazil

Two of the Guarantors of the Notes, Maccaferri do Brasil Ltda. and BMD Texteis Ltda., are organized under the laws of Brazil (the "**Brazilian Guarantors**"). Accordingly, insolvency proceedings with respect to the Brazilian Guarantors will proceed under, and be governed by, Brazilian insolvency law.

Brazilian Federal Law 11,101, dated February 9, 2005, as amended (the "**Brazilian Insolvency Law**") provides the legal regime applicable to reorganization (both *in* and *out of court*) and liquidation in Brazil.

In court reorganization under Brazilian Insolvency Law

All existing creditors prior to a *in court reorganization* request are subject to the proceeding, even if their debts are not past due at the date of filing of the *in court reorganization* request (pursuant to Article 49 of Brazilian Insolvency Law). Tax debts and holders of certain types of claims (such as loans secured by fiduciary liens (*alienação fiduciária*), financial leasings (*arrendamento mercantil*), or specific types of export financing) are not subject to the *in court reorganization* proceeding.

The *in court reorganization* request must be filed by the debtor (it cannot be requested by creditors) along with several documents required by the law, including an analysis of the debtor's financial and economic situation and the feasibility of its business. After the *in court reorganization* request is accepted by the court, the debtor must present a reorganization plan to creditors within 60 days (according to Article 53 of Brazilian Insolvency Law).

Under Brazilian Insolvency Law, the acceptance by the court of the *in court reorganization* request suspends the course of all lawsuits filed against the debtor for a maximum period of 180 days (the "**Stay Period**") (pursuant to §4 of Article 6 of Brazilian Insolvency Law).

The reorganization plan for *in court reorganization* must be approved by the following classes of creditors in a general creditors' meeting: (i) labor creditors (simple numeric majority of voting creditors); (ii) secured creditors (simple majority of voting creditors both by value of their claims and by numerosity); and (iii) unsecured, subordinated creditors (as defined in Article 83, VIII "a)" and "b)" of Brazilian Insolvency Law, which includes the subordinated credits as determined by law or contract or the credits held by the stakeholders and managers of the debtor) and special and general privileged creditors (simple numeric majority of voting creditors both by value of their claims and by numerosity). However, the plan may be exceptionally approved by the court under "cramdown" provisions (pursuant to Section 58, §1 of Brazilian Insolvency Law) even though it was rejected by the creditors in general creditors' meeting if such plan: (i) was approved by the voting creditors representing more than 50% of the total claims present in the general creditors' meeting, regardless of the class of creditors; (ii) was approved by two classes of creditors or one class if there are only two classes in the proceeding; (iii) received a favorable vote of more than one-third of the creditors of the class in which it was rejected (iv) does not provide different treatment to creditors in the same class.

The approval of a reorganization plan is considered a novation and it is mandatory for the debtor and all creditors subject to it. The parties are free to negotiate how *in court reorganization* is implemented, including, for instance, the reduction of liability and priority of repayment. Debtors may carry out corporate actions to facilitate reorganization, which includes spin-offs, mergers, transfers or leases, conclusion of collective labor agreements, sale of assets, issue of debentures, replacement of guarantees and other analogous measures (according to Article 50 of Brazilian Insolvency Law). In addition, under the Brazilian Insolvency Law, the acquirer of assets

of the debtor will generally not be held liable for any liabilities (including tax and labor liabilities) of the debtor selling the assets. This rule is only applicable in a case of the sale of branches or isolated production units and does not apply to the sale of the whole business (according to Article 60, sole paragraph of Brazilian Insolvency Law).

Out of court reorganization under Brazilian Insolvency Law

The *out of court reorganization* may affect participating or non-participating creditors if the claims of the non-participating creditors are dealt with in the reorganization plan and the reorganization plan is duly signed by creditors representing three-fifths (3/5) of each class of claims treated therein. An *out of court reorganization* plan may cover all of company's debt, or specific groups of claims, except for certain kinds of credits such as taxes, labor claims, loans secured by fiduciary liens (*alienação fiduciária*), financial leasings (*arrendamento mercantil*), or specific types of export financing. There is no mandatory stay (i.e., holders of claims may proceed against the debtor notwithstanding pending reorganization proceeding), but as soon as the extrajudicial reorganization plan is ratified by the court the minority creditors within the affected class(es) are bound thereby.

Liquidation under Brazilian Insolvency Law

Liquidation is a procedure carried out in the collective interest of the creditors of a certain debtor and culminates with a court liquidation, in which the main purpose is to wind up and sell the assets of the debtor in order to satisfy the credits held by each creditor. In the event of liquidation of the Brazilian Guarantors, all of its debt obligations, including the Note Guarantee for the Notes, which are denominated in foreign currency, will be converted into Brazilian *reais* at the prevailing exchange rate on the date of declaration of the liquidation by the court. We cannot assure investors that such rate of exchange will afford full compensation of the amount invested in the Notes plus any accrued interest. In addition, companies in Brazil may only remit funds out of Brazil and/or convert such funds into hard currency in strict compliance with foreign exchange rules, and there can be no assurance that such companies would have the ability to convert Brazilian real into dollars or euros, nor that such companies would be able to remit such funds out of Brazil.

In addition, if the value of the Brazilian Guarantors' assets are insufficient to pay creditors, no interest accrues on claims, except interest on debentures and secured claims.

Moreover, if the Brazilian Guarantors are declared liquidated, its obligations under its Note Guarantee will be subordinated to the statutory preferences established by the Brazilian Insolvency Law. According to Brazilian Insolvency Law, in case of liquidation, payments of any amounts due by the debtor shall follow the following priority ranking:

(i) administrative costs of the insolvency proceedings (including trustee-in-bankruptcy's fees, costs of running the debtor's business during the proceedings, and claims by creditors that granted credit to the debtor after the judicial reorganization petition was filed, such as a debtor-in-possession or exit financing);

(ii) labor-related claims up to 150 minimum monthly wages (as determined by the Brazilian Federal Government) per creditor plus claims for damages arising from labor-related accidents;

(iii) secured credits (up to the value of the collateral), such as credits secured by pledges and mortgages;

(iv) tax claims (except for fines);

(v) special privileged claims;

(vi) general privileged claims;

(vii) unsecured credits (including labor-related claims in excess of the amount mentioned in item (i) above and claims of secured creditors with a value exceeding that of the collateral mentioned in item (iii) above);

(viii) contractual penalties and fines for breach of criminal or administrative law (including tax-related fines); and

(ix) subordinated credits, as defined by law or pursuant to the relevant agreement.

The foregoing priority is established by law and may not be modified by a court.

There are certain credits that are senior to or excluded from the priority order above, such as: (a) credits secured by fiduciary assignment/transfer (*cessão/alienção fiduciária*) up to the value of the asset contemplated

by such lien, pursuant to Article 49, § 3 of Brazilian Insolvency Law; (b) credits arising from an advance against exchange contracts ("**ACC**") pursuant to Article 86, II; and (c) credits and obligations assumed before any clearings systems pursuant to Article 193 of Brazilian Insolvency Law, amongst other specific cases established in Brazilian Insolvency Law.

Enforceability of Guarantees

The principles of Brazilian law that govern the nullity of the acts and obligations are considered principles of public policy and cannot be altered or waived by the parties thereto. Under Brazilian law, a guarantee is considered an accessory obligation to the underlying or principal obligation and Brazilian law establishes that the nullity of the principal obligation causes the nullity of the accessory obligation. Therefore, a judgment obtained in a court outside Brazil against a guarantor for enforcement of a guarantee in respect of obligations that have been considered null, may not be confirmed by the Superior Court of Justice of Brazil.

Hardening Period / Clawback and Fraudulent Transfer

The validity and enforceability of a guarantee granted by the Brazilian Guarantors depends upon whether it was given in the best interest of such Brazilian Guarantors and whether the Brazilian Guarantors receive fair and adequate consideration for the granting of the guarantee. In the event the Brazilian Guarantors become subject to a reorganization proceeding or to liquidation under Brazilian Insolvency Law, the relevant guarantee may be declared void or unenforceable, if the bankruptcy court determines that the Brazilian Guarantors have not received fair consideration in exchange for such guarantee pursuant to Article 129, § IV of Brazilian Insolvency Law.

Russia

One of our guarantors, Maccaferri Gabions CIS Ltd., is a Russian company. The following is a brief description of certain aspects of treatment of corporate difficulties and insolvency proceedings governed by Russian law.

Commencement of the bankruptcy proceedings

As a general rule, a company is deemed to be insolvent, if its debts are at least three months overdue.

At the request of a creditor or authority the bankruptcy proceedings may be initiated if the overdue amount is not less than RUB 100,000 (approximately €2,000) and is confirmed by a decision of a state arbitration court (*arbitrazhniy sud*) in Russia. In certain cases, a company itself may, and sometimes is obliged to, file for its bankruptcy.

Stages

Russian insolvency legislation provides for four major stages of the bankruptcy proceedings, some of which are mandatory and some are optional. The Russian law also recognizes amicable settlements as a possible outcome of bankruptcy proceedings.

Generally, the bankruptcy proceedings start with the supervision stage (*nabliudenie*). During the supervision a temporary manager (*vremenniy upravlyaushiy*) generally proposed by the creditors and appointed by the court determines the amount of indebtedness, analyses the debtor's financial standing, receives creditors' applications and arranges the first creditors' meeting where the creditors decide on the next stage(s) of bankruptcy. The management of the debtor is not entitled to make certain key decisions (such as mergers, restructuring, liquidation of the company, payment of dividends, issue of notes, etc.), however, the management of the debtor remains in charge of the day-to-day operations under the supervision of the temporary manager.

Upon commencement of the supervision all obligations of the debtor, save for current liabilities, may be settled only within the bankruptcy proceedings and all obligations become due and payable. The information on commencement of the bankruptcy proceedings is published in the official newspaper and is available on the Internet. All creditors must within 30 days present their claims to the debtor. However, as a matter of Russian law, commencement of the bankruptcy proceedings in respect of a Russian Guarantor would allow the creditors thereof to enter into these proceedings if the payment under the secured obligations became due and remains unpaid.

Generally, the duration of the supervision is subject to a maximum term of 7 months.

Following the supervision, the court upon decision of the creditors may rule on the financial restructuring (*finansovoe ozdorovlenie*) of the debtor. During the financial restructuring the management of the debtor continues day-to-day operations under the control of the administrative manager (*administrativniy upravlyaushiy*). The aim of this stage is to protect the debtor from the creditors, restore the debtor's solvency and arrange for the repayment of the debts in accordance with the agreed repayment schedule. Financial restructuring may last up to two years and is rarely used as it usually requires the provision of security by a third party to ensure the satisfaction of the creditors' claims.

Another attempt to restore the debtor's solvency may be taken during the external management (*vneshnee upravlenie*) that may be introduced for up to two years. Upon commencement of the external management the powers of the debtor's management cease to exist and the external manager (*vneshniy upravlyaushiy*) obtains all management powers over the debtor. External management leads to moratorium on discharge of obligations of the debtor (other than current payments, such as taxes and wages). The external manager may use various instruments to restore the solvency of the debtor, including disposal of assets, termination of contracts, issuing shares, replacing assets, etc.

If the solvency of the debtor may not be restored, the court commences the bankruptcy management stage (*konkursnoe proizvodstvo*). Bankruptcy manager (*konkursniy upravlyaushiy*), replacing the management of the debtor (if it remained before the commencement of the bankruptcy management proceedings), primarily focuses on identification of all creditors, restoration of the assets, further sale of the assets and discharge of the obligations in accordance with the priority of claims.

Russian law also recognizes amicable agreements (*mirovoe soglashenie*) as a possible outcome of bankruptcy proceedings. At any stage of the proceedings described above, the debtor (usually represented by the relevant managers appointed by the creditors) and the creditors are entitled to conclude an settlement agreement, which contains the terms and procedures on payment of debts and is subject to approval by court.

Priority of claims

Russian bankruptcy law sets forth the order of priority in which the debtor's claims shall be discharged.

In general, all claims which became due before or on the commencement of the bankruptcy proceedings (bankruptcy claims) are discharged as follows:

- ***first priority claims*** include those arising from the debtor's liabilities to individuals for harm to life or health (by way of capitalization), or for moral harm;
- ***second priority*** claims arise out of the debtor's obligation to pay wages, salary or other amounts payable under employment agreements in the ordinary course of business or to pay fees or royalties to authors of intellectual property;
- ***third priority*** claims include claims related to taxes and duties and amounts payable to extra-budgetary funds; and
- other claims are included into ***fourth priority claims*** which are claims secured by a pledge or mortgage over the debtor's assets are settled out of the proceeds from the sale of such assets ahead of all other claims with certain exceptions.

In addition to the bankruptcy claims there are current claims of the debtor, i.e., those which have arisen after the commencement of the stages of bankruptcy proceedings. These claims have super-priority in relation to bankruptcy unsecured claims. Russian bankruptcy law introduces various categories of current claims and the priority of such claims.

Challenging debtor's transactions

The following transactions of the debtor may generally be challenged by the appointed manager and in some cases by the creditors:

- ***Suspicious transactions***, including: (a) transactions without equal mutual consideration executed within one year prior to the filing for the application for commencement of the bankruptcy proceedings, if the terms of such transactions are substantially disadvantageous to the debtor and

(b) transactions which were willfully aimed at causing harm to the creditors executed within three years prior to filing for the application for commencement of the bankruptcy proceeding; and

- ***Preferential transactions***, namely transactions that lead, or may lead, to preferential treatment of a particular creditor over other creditors. (including transactions aimed at changing the order of priority of claims) Preferential transactions may be challenged if they have been executed within one or six months (depending on the type) prior to filing for the application for commencement of the bankruptcy proceedings that lead, or may lead, to preferential treatment of a particular creditor over other creditors. Preferential transactions may be challenged if they have been executed within one or six months (depending on the type) prior to commencement of the bankruptcy proceedings.

The transactions may also be challenged on grounds set out by the Civil Code of the Russian Federation on grounds of illegality, lack of power, etc. (see below "*Challenging the Guarantee*").

Issuing the Guarantee

Unilateral undertaking

Russian law and Russian courts are not familiar with the concept of a unilateral third-party corporate guarantee. At the same time, the Civil Code of the Russian Federation generally allows for the existence of types of security that are not explicitly envisaged by Russian law. Therefore, we believe that a Russian Guarantor may issue the guarantee in the form of a written unilateral undertaking to secure the obligations of the Company under the Notes.

Although Russian law is not univocal on the issue of choice of law for unilateral undertakings, we are aware of certain court precedents that tolerate the choice of foreign law to govern unilateral bank guarantees issued by Russian guarantors. The courts may also uphold the choice of foreign law to govern the, subject to the limitations described in "—Application of foreign law".

In the absence of any national legislation, and if the Guarantee is issued as a unilateral undertaking, it is not possible to predict how Russian courts would enforce a unilateral guarantee against a Russian Guarantor, and the actual enforcement would largely depend on the proper representation of the creditor in the respective court proceedings.

Subordination of claims

Russian law is not familiar with the concept of subordination of claims with respect of any claims, including guarantee / suretyship. In the absence of a developed court practice, it is difficult to predict whether a Russian court would enforce subordination provisions.

Challenging the Guarantee

Execution of the Guarantee requires obtaining corporate approvals in accordance with the Russian corporate law and it may require additional approvals in accordance with the Guarantor's internal documents and regulations. Failure to duly approve the guarantee may give shareholders (participants) of the Guarantor the right to challenge the guarantee.

Moreover, the Guarantee may be declared void if it violates the law or public order, is fictitious or sham. The Guarantee may also be challenged if executed under the error, material delusion through lack of power or without the required consent of a third party. However, we believe that the risk of challenging the Guarantee on these grounds is relatively low.

Application of foreign law

As a matter of Russian law, if one of the parties to an agreement is a foreign person/entity or the relations are otherwise affected by a foreign element, the parties to that agreement may generally agree on the application of foreign law to that agreement.

The choice of foreign law, however, will not limit the application of certain mandatory provisions of Russian law if:

- these provisions apply directly due to their nature or high importance (super imperative norms or norms on direct application;

- these provisions apply due to public policy principle (*ordre public*); or
- all material aspects of the relations between the parties are connected with Russia.

Russian merger control

If enforcement of any security over the parent companies of a Russian Guarantor leads to a change of control (either direct or indirect) over the Guarantor, such change of direct or indirect control (including acquisition of voting shares) may generally require Russian merger control filing where the following thresholds are met:

- the total balance sheet value of the assets of the new controlling company (and its group) and the Russian Guarantor exceeds 7 billion Roubles;
- the total income of the new controlling company (and its group) and the Russian Guarantor derived from the sale of goods during the last calendar year exceeds 10 billion Roubles; or
- the total balance sheet value of the assets of the Russian Guarantor (and its group in case of partial change of control) exceeds 250 million Roubles.

In certain cases, change of control may require post-notification to the Russian merger control authorities within 45 days of completion of such change of control.

The filing responsibility is on the new controlling company.

England and Wales

The English Guarantor is a company incorporated under the laws of England and Wales. Therefore, any insolvency proceedings with respect to the English Guarantor would likely be based on English insolvency laws, although (as noted above) insolvency proceedings in respect of the English Guarantor could also be based in other jurisdictions if the English Guarantor's center of main interests for the purposes of the EU Insolvency Regulations is located in a Member State other than the United Kingdom (except Denmark) in which case the laws of that other Member State will, subject to certain exceptions, govern the relevant insolvency proceedings. There is a rebuttable presumption that the center of main interests of a company will be located in the jurisdiction of that company's registered office.

English insolvency law may not be as favorable to investors' interests as the laws of the United States or other jurisdictions with which investors are familiar. In the event that the English Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Insolvency Proceedings

As a general rule, insolvency proceedings with respect to an English company should be commenced in England and Wales based on English insolvency laws, although (as noted above) insolvency proceedings in respect of English companies could also be based in other jurisdictions under certain circumstances.

Under the EU Insolvency Regulations, territorial or secondary proceedings may be commenced against the English Guarantor in other Member States (except Denmark) even if the center of main interests is in England, provided that the company has an establishment within the territory of that other Member State. The effects of these proceedings would be restricted to the assets of the English Guarantor situated in that Member State.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the English Guarantor's directors or a creditor making an application for administration, in or (in the case of the English Guarantor's directors or any creditors holding security over all or substantially all of the English Guarantor's assets under a qualifying floating charge) out of court, or by a creditor filing a petition to wind up the English Guarantor or the English Guarantor's shareholders resolving to do so (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely, to become unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Under the Insolvency Act 1986, as amended (the "**Insolvency Act**"), a company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance

sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), if it fails to satisfy a creditor's statutory demand for a debt exceeding £750 or if it fails to satisfy in full a judgment debt (or similar court order).

Administration

The Insolvency Act empowers English courts to make an administration order in respect of an English company, in certain circumstances or, as noted above, the company's directors or certain creditors to commence administration through an out of court process (provided that, in the case of the company's directors, the company is not subject to an outstanding winding up petition). During the administration in general no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with permission of the court or the consent of the administrator. The administration of a company must achieve one of the following statutory objectives: (1) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the primary objective); (2) the achievement of a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) (the second objective); or (3) the realization of some or all of the company's property to make a distribution to one or more secured or preferential creditors (the third objective). An administrator must attempt to achieve the objectives of administration in the prescribed order, unless he thinks either that it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. Therefore, the administrator cannot pursue the third objective unless he thinks that it is not reasonably practicable to achieve either the first objective or the second objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Liquidation/Winding-Up

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. At the end of the liquidation process the company will be dissolved. In the case of a liquidation commenced by way of a court order, no proceedings or other actions may be commenced or continued against the company except by leave of the court (although creditors' rights in respect of security enforcement are not affected).

Under English insolvency law, a liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to a contract all the obligations under which have been performed nor can it be used to disturb accrued rights and liabilities.

Challenges to Guarantees

There are circumstances under English insolvency law in which the granting by an English company of guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period of the granting of the guarantee. Therefore, if during the specified period an administrator or liquidator is appointed in respect of an English company, the administrator or liquidator may challenge the validity of the guarantee given by such company.

The following potential grounds for challenge may apply to guarantees:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a guarantee if such liquidator or administrator believes that the creation of such guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or as a result of the transaction, the English company was or became unable to pay its debts (as defined in the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date that the English company grants the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such

company. A court, however, generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the Insolvency Act), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a guarantee if such liquidator or administrator believes that the creation of such guarantee constituted a preference. It will only be a preference if at the time of the transaction or as a result of the transaction the English company was or became unable to pay its debts (as defined in the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date that the English company grants the guarantee. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the Notes and the Note Guarantees in this instance (although there is protection for a third party who enters into a transaction in good faith and without notice). For the court to determine a preference, however, it must be shown that the English company was influenced by a desire to produce the preferential effect.

In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person (other than by being an employee), in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such desire.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction (with leave of the court if the company is in liquidation or administration) and is not therefore limited to liquidators or administrators. There is no time limit in the English insolvency law within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

Priority of Claims

One of the primary functions of liquidation (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the insolvent company and to distribute the cash realizations made from those assets to its creditors. Under the Insolvency Act, creditors are placed into different classes and, with the exceptions and adjustments noted below, the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined below), distributions cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been repaid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the cash is distributed in proportion to the debts due to each creditor within a class.

The general priority of claims on insolvency is as follows (in descending order of priority):

- First ranking claims: holders of fixed charge security and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor but only to the extent of the realizations from those secured assets or with respect to the asset in which they have a proprietary interest;
- Second ranking claims: expenses of the insolvent estate incurred during the relevant insolvency proceedings (there is a further statutory order of priority setting out the order in which expenses are paid);
- Third ranking claims: preferential creditors. Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date;
- Fourth ranking claims: holders of floating charge security to the extent of the realizations from those secured assets, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must be set aside for distribution to unsecured creditors.
- Fifth ranking claims: general unsecured creditors. However, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim;
- Sixth ranking claims: subordinated creditors. Creditors whose claims are subordinated to the payment of all of the company's other creditors;
- Seventh ranking claims: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Prescribed Part

An administrator, receiver (including administrative receiver) or liquidator of an English company will be required to ring-fence a certain percentage of the proceeds of enforcement of assets subject to floating charge security for the benefit of unsecured creditors (the "**Prescribed Part**"). Under current law, this applies to 50% of the first £10,000 of net floating charge realizations and 20% of the remainder over £10,000, and the Prescribed Part is subject to a maximum aggregate cap of £600,000. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors. The Prescribed Part will not be available for any shortfall claims of secured creditors.

Limitation on Enforcement

The grant of a guarantee by the English Guarantor in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that these do not allow such an action, there is the risk that the grant of the guarantee is found to be void and the beneficiary's rights in respect of such guarantee will be unenforceable. Some comfort may be obtained for third parties if they are dealing with an English guarantor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English guarantor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English guarantor for the benefit of its members as a whole. If a company's directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Foreign Currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than Pounds sterling (such as euro in the case of the Notes) must be converted into Pounds sterling at the "official exchange rate" prevailing at the date when the company

went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines.

The Slovak Republic

One of the Guarantors, Maccaferri Central Europe s. r. o., is organized under the laws of the Slovak Republic.

Contestable Legal Actions

Act No. 40/1964 Coll., the Civil Code, as amended (the "**Civil Code**"), provides that a creditor may request the court to rule that certain debtor's legal actions are unenforceable against the creditor if they curtail the settlement of the creditor's enforceable claim. Such contestable legal actions may comprise legal actions made by the debtor within the previous three years, which either curtail the creditor or were made with such an intent, and which were executed with or for the benefit of certain qualified counterparties (such as related parties) or without adequate consideration. A successfully contested legal action is unenforceable and the creditor may request the settlement of his claim from the property that was removed from the debtor's property under the contestable legal action or, if the first is not possible, by compensation from the person who benefited from such action.

Guarantee, Application of Foreign Law

The Note Guarantee by the Slovak Guarantor is to be governed by other than Slovak law. The Note Gurantee will be provided in the form of an agreement between the Slovak Guarantor and the relevant beneficiaries thereto, which is a prerequisite for due choice of such foreign law from the Slovak law perspective.

Although the Note Guarantee provided in favor of foreign (non-Slovak) beneficiaries is governed by the chosen law in its entirety, the imperative Slovak public law rules, such as on taxation applicable to the Slovak Guarantor, will remain to apply.

Certain Slovak Insolvency Law Considerations

The Slovak Act No. 7/2005 Coll. on Bankruptcy and Restructuring as amended (the "**Bankruptcy and Restructuring Act**") recognizes bankruptcy proceedings ("*konkurz*") which are predominantly aimed at selling-off the property of the debtor and using the proceeds to satisfy the creditors and restructuring proceedings ("*reštrukturalizácia")* which are aimed at rescuing the debtor by rescheduling its debts. According to the Bankruptcy and Restructuring Act, a debtor is in financial distress if it is insolvent or if it suffers from excessive indebtedness. Those debtors who owe payments to more than one creditor and who are not able to settle at least two payment liabilities within 30 days after their due dates shall be considered insolvent. Those debtors who are obliged to keep books of accounts pursuant to special legislation and who owe payments to more than one creditor and for whom the value of its obligations exceeds that of its assets shall be deemed to suffer from excessive indebtedness.

Restructuring Proceedings

The purpose of restructuring proceedings is to rescue an insolvent or distressed debtor by agreeing on a plan, pursuant to which the debtor is restructured and the claims of the creditors taking part in the plan are fully or partially satisfied. Formal restructuring proceedings are supervised by the court and may be utilised either for the purpose of rescuing a debtor or, if possible, for the purpose of an orderly realization of the debtor's assets so as to maximise the proceeds of that realization.

Although informal restructuring is not prohibited by Slovak law and distressed companies can be informally restructured by a compromise between a debtor and its creditors, the likelihood of a successful restructuring being processed is significantly affected by the requirement for debtor to file for formal bankruptcy proceedings within 30 days after the date on which, when exercising due care, it learns or could have learned of its financial distress.

Bankruptcy Proceedings

A petition in bankruptcy must be filed with the court with the appropriate jurisdiction. A petition in bankruptcy may be filed by the debtor, a creditor of the debtor, the liquidator or another party, if so provided by

the Bankruptcy and Restructuring Act. A debtor in financial distress shall be obliged to file a petition in bankruptcy not later than 30 days after the date on which, when exercising due care, it learns or could have learned of its financial distress. This duty shall be imposed on behalf of the debtor on the statutory body and the members of the statutory body of the debtor, the liquidator of the debtor and the legal representative of the debtor. A creditor shall be entitled to file a petition in bankruptcy if it can reasonably expect the debtor's insolvency. The debtor's insolvency can be reasonably expected if it owes payments to more than one creditor and is not able to settle its liability for at least two payments more than 30 days aftertheir due dates and was notified of its liability in writing by at least one of these creditors.

Once the petition for bankruptcy proceedings are duly filed, the insolvency court shall decide on its commencement within 15 days. The bankruptcy proceeding is deemed commenced upon the publication on the ruling of the commencement of the bankruptcy in the Commercial Journal ("*Obchodný Vestník*").The consequences of the commencement of bankruptcy proceedings are the following:

(a) the debtor is only allowed to execute ordinary legal acts;

(b) any enforcement proceedings or execution against the debtor's assets are prohibited and pending enforcement proceedings or execution are suspended; and

(c) any enforcement of any security rights with respect to the assets owned by the debtor is prohibited, with the exception of a security which applies to cash, bank account receivables, state bonds, transferable securities or for carrying out the enforcement of the security under the auction regime.

Treatment of Guarantees in Bankruptcy Proceedings

If the Slovak Guarantor´s assets become subject to bankruptcy proceedings, the relevant beneficiary under the guarantee may register its claim for payment of the guarantee. Due to the nature of a guarantee, such claim will be treated "only" as a conditional claim (*"podmienená pohl'adávka")*, i.e., a claim that may arise if specific condition (generally, if the original debtor fails to settle its original obligations) is met. Rights connected to the conditional claim may be applied by conditional creditors (i.e., creditors having conditional claims) only after submitting evidence to the trustee showing that the conditional claim actually arose. Rights of conditional creditors are generally given lower priority than the rights of other creditors; however, once the specific condition is met giving rise to a claim (and the guarantee is called), a conditional creditor becomes a regular creditor with all pertinent rights.

Priority of Claims in Bankruptcy Proceedings

The Bankruptcy and Restructuring Act distinguishes between following categories of debts, being:

(a) preferential debts (comprising claims against the estate and claims arising from the operation of the business);

(b) secured debts;

(c) unsecured debts; and

(d) subordinated debts.

Claims against the estate ("*pohl'adávky proti podstate*") are divided into two groups, claims against the general estate ("*pohl'adávky proti všeobecnej podstate*") and claims against the separate estate ("*pohl'adávky proti oddelenej podstate*"). Claims against the general estate are *inter alia* debts incurred in relation to the costs of the bankruptcy and the realization of the assets, including trustee's fees, taxes, customs and other duties, health and social insurance contributions, salaries and other payments to the employees, and rank in priority to all other debts. The same rank applies to claims against the separate estate, but only to the extent they relate to the separate estate.

If the trustee decides to continue trading, debts arising (e.g., salaries, taxes, duties) are classified as business operation claims ("*pohl'adávky z prevádzkovania podniku*"). If revenues from trading are sufficient to cover the business operation claims, then these debts are paid as they fall due. If the revenues are not sufficient to cover the business operation claims, these debts are settled in the same manner as other preferential debts.

The claims against the separate estate are paid from the proceeds of the sale of the assets constituting the separate estate in priority to secured debts. The claims against the general estate are paid from the proceeds of the sale of the assets constituting the general estate in priority to unsecured debts.

Claims registered by creditors are satisfied by the trustee under the distribution schedule. Unsecured debts are paid under general estate distribution schedule and secured debts are paid under separate estate distribution schedule. The trustee prepares general estate distribution schedule after sale of the assets constituting the general estate and the separate estate distribution schedule after sale of the assets constituting the separate estate.

The costs of realization and any other post-commencement debts attributable to the sold secured assets are paid first, followed by the payments to the secured creditors. If a secured creditor is not repaid in full from the proceeds of realising that asset, the unpaid balance ranks as an unsecured debt. Secured creditors rank in order of registration date, unless an intercreditor agreement varying the order has been entered into and formally registered with the relevant registry.

If the proceeds from the sale of general estate are insufficient to cover all unsecured debts, the unsecured creditors are paid pro rata.

Subordinated debts are satisfied from proceeds from the sale of general estate after all unsecured debts have been fully satisfied.

Related Party

For the purposes of the Bankruptcy and Restructuring Act, the following parties shall be deemed as related to a legal entity:

(a) the statutory body or a member of the statutory body, manager, procurator or member of the supervisory board of the legal entity,

(b) an individual or another legal entity which holds a qualified interest in the legal entity,

(c) the statutory body or a member of the statutory body, manager, procurator or member of the supervisory board of the legal entity under b) above

(d) a person who is close to the individuals under a) through c) above,

(e) another legal entity in which the legal entity or any of the parties under a) through c) holds a qualified interest.

The term "qualified interest" shall mean direct or indirect interest equal to at least 5% of the registered capital or voting rights of the legal entity or the possibility to exercise control over the management of the legal entity, which is equivalent to control corresponding to the above interest. The term indirect interest shall mean a qualified interest held indirectly through a legal entity.

All claims which are or were owed by the debtor to any creditor which is or was a related party of the debtor are in bankruptcy and/or restructuring proceedings subordinated to claims of creditors who are not related parties and may only be satisfied after such claims of creditors who are not related parties have been fully satisfied. The subordination of claims that were at any time held by a related party may apply to such claims indefinitely irrespective of whether the claims are later transferred to a creditor that is not a related party.

Right to Challenge an Action at Law (Guarantee)

According to the Bankruptcy and Restructuring Act, if the guarantee is deemed to be provided without consideration, it may be challenged by the trustee or another creditor in the bankruptcy proceedings of the guarantor in the Slovak Republic as an avoidable legal transaction ("*odporovateľný právny úkon*") due to (1) its undervalue/provision without adequate consideration ("*bez primeraného protiplnenia*"); (2) the fact that it is an act curtailing (penalizing) other creditors ("*ukracujúci úkon*"); or (3) the fact that it is an act preferring (privileging) one or more creditors over other creditors ("*zvýhodňujúci úkon*"). If the guarantee relates to the obligations of a related party, this risk is higher than if the guarantor and the original borrower were unrelated. If a bankruptcy order is made, actions at law involving the property of the debtor shall be of no effect vis-á-vis the creditors of the debtor if the same was challenged by the trustee or by a creditor holding a registered claim in accordance with the Bankruptcy and Restructuring Act. A creditor may only challenge an action at law involving the debtor's property if the trustee fails to challenge the same upon the request of the creditor within a reasonable term. The right to challenge an action at law shall be time barred if it is not exercised against the obligor or in a court of law within one year after the passing of the bankruptcy order; the right to contest an action at law shall only be deemed exercised against the obligor if it acknowledges such right in writing. It shall also be possible to challenge an action at law where claims arising out of it have become enforceable or have been satisfied. Pursuant to the Bankruptcy and Restructuring Act, it will only be possible to challenge an action at law taken by the debtor if it impairs the satisfaction of a registered claim held by any of the debtor´s creditors.

A guarantee, or performance thereunder, may be challenged as undervalue if the guarantor did not receive a consideration for providing the guarantee, if the consideration was substantially lower than a customary consideration, if the guarantee was granted when the guarantor was already technically insolvent or if the guarantee itself caused the insolvency of the guarantor, whereby such insolvency must be proved by a party challenging the granting of the guarantee. However, if the guarantee is made to benefit a party related to the guarantor, a rebuttable presumption applies that the guarantor was insolvent at the time of granting the guarantee, unless proof to the contrary is submitted. It shall be possible to challenge guarantee as undervalued only if the commencement of bankruptcy proceedings ("*začatie konkurzného konania*") occurs within one year after the granting of the guarantee. A guarantee made for the benefit of a party related to the guarantor may be challenged as undervalued if the commencement of bankruptcy proceedings occurs within three years after the granting of the guarantee.

A guarantee or performance thereunder may be challenged as curtailing (penalizing) other creditors if it is established that by granting it or by performing under it the guarantor has intentionally curtailed (penalized) its creditors (other than the direct beneficiary of the guarantee), and this intention was or must have been known to the beneficiary of the guarantee. Again, the guarantor's insolvency must be proved by a party challenging the granting of the guarantee; however, if the guarantee is made to benefit a party related to the guarantor, a rebuttable presumption applies that the debtor's intention was to curtail (penalize) other creditors and the knowledge of the other party of such intentions of the debtors, unless proof to the contrary is submitted. The guarantee may be challenged as curtailing other creditors if it was granted within five years before the commencement of bankruptcy proceedings ("*začatie konkurzného konania*").

A guarantee or performance thereunder may be challenged as a preferential act (privileging action) if it is established that by granting it or performing under it (1) the debtor settles in full or in part a payment liability which would otherwise have become due for payment only at the time of the bankruptcy order or by which it secures its liability after the date of arising thereof, or by which it agrees to a restructuring or replacement of its liability to its own detriment or by which it otherwise unlawfully privileges any of its creditors with respect to its other creditors; (2) the debtor fully or partially waives its right or by which it condones in full or in part a debt receivable from its debtor or by which it agrees to a restructuring or replacement of its right to its own detriment or by which it agrees to or otherwise makes possible the extinction of its right or by which it otherwise unlawfully penalizes itself to the detriment of its creditors, provided that the guarantee was granted when the guarantor was already technically insolvent or the guarantee itself caused the insolvency of the guarantor. Again, the insolvency of the guarantor must be proved by a party challenging the granting of the guarantee; however, if the guarantee is made to benefit a party related to the guarantor, a rebuttable presumption applies that the guarantor was insolvent at the time of granting the guarantee, unless proof to the contrary is submitted. It shall be possible to challenge guarantee as a preferential act only if the commencement of bankruptcy proceedings ("*začatie konkurzného konania*") occurs within one year after the granting of the guarantee. A guarantee made to benefit a party related to the guarantor may be challenged as being preferential (privileging) if the commencement of bankruptcy proceedings occurs within three years after the granting of the guarantee.

Exercise of the Right to Challenge

The right to challenge an action at law shall be exercised against a party (i) who agreed to the challengeable action at law (guarantee) with the debtor, (ii) for whose benefit the challengeable action at law was unilaterally taken by the debtor or (iii) who directly derived a benefit from the challengeable action of the debtor.

The right to challenge an action may also be exercised against the part, for whose benefit a subsequent right was established on the basis of rights arising out of the challengeable action at law, provided that:

- at the time when such right was acquired, the party was or must have been aware of the circumstances justifying the challengeability of the action at law against the party who established such right,
- the party acquired such right under an action at law without consideration,
- the party is related to the debtor or the party which established such a right, unless proof is submitted that at the time of the acquisition of such right it could not have been aware of the circumstances justifying the challengeability of the action at law against the party who established such a right, even when exercising all due care.

If an action at law is challenged according to the previous section, the right to challenge must be exercised against all successors-in-law who acquired rights directly from the debtor.

The right to challenge an action at law may be exercised by the trustee or the creditor directly against the obligor or by filing an action with the court; the decision of the court determining that the action at law is ineffective shall be effective vis-á-vis all of the parties to the bankruptcy.

Consequences of Ineffective Actions at Law

If there is an ineffective action at law involving an asset, right or other property value transferred by the debtor, those parties, against which the right to challenge the action at law was exercised shall be jointly and severally obliged to pay the affected bankruptcy estate an indemnity instead of such asset, right or other property value; if, however, the asset, right or other property value is held by either of such parties, instead of paying the above indemnity, they may be requested to release such asset, right or other property value.

If there is an ineffective action at law by which the debtor settles its payment liability, the creditor shall be obliged to refund the payment received from the debtor to the affected bankruptcy estate. If the creditor refunds the payment, the debt which was extinguished by performance shall be fully restored. The claim to the settlement of such restored debt may be filed with the bankruptcy estate as a claim against the affected bankruptcy estate, but only to the extent to which the restored debt would be settled if relevant proof were filed with the trustee.

France

We conduct part of our business activity in France and, to the extent that the center of main interests of the Issuer or any of the Guarantors is deemed to be in France, it would be subject to French proceedings affecting creditors, including court-assisted pre-insolvency proceedings (*mandat ad hoc or conciliation proceedings*) and court-administered insolvency proceedings being either safeguard (*sauvegarde*), accelerated safeguard (*sauvegarde accélérée*) (as from July 1, 2014), accelerated financial safeguard (*sauvegarde financière accélérée*), reorganization or liquidation proceedings (*redressement or liquidation judiciaire*). Similarly, one of the Guarantors, France Maccaferri S.A.S. is a French company and would be subject to French insolvency proceedings. In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and/or the Notes Guarantees granted by the French Guarantors and corresponding security interests in the Collateral.. Under the European Council Regulation (EC) No.1346/2000 of May 29, 2000 on insolvency proceedings, if a debtor is located in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the center of the debtor's main interests is situated in France. In the case of a company or legal person, the place of the registered office shall be presumed to be its center of main interests in the absence of proof to the contrary. In determining whether the center of main interests of a company is in France, French courts will take into account a broad range of factual elements.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

Grace Periods

In addition to insolvency laws discussed below, you could, similar to any other creditor, be subject to Article 1244-1 of the French Civil Code (*Code civil*). Pursuant to the provisions of this article, French courts may, in any civil proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate as published annually by decree) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1244-1 *et seq.* of the French Civil Code will suspend any pending enforcement measures, and any contractual default interest or other penalty for late payment will not accrue or be due during the period ordered by the court.

Insolvency Test

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts with its available assets taking into account available credit lines, existing debt rescheduling agreements and moratoria.

Court-assisted Pre-insolvency Proceedings

A French debtor facing difficulties may request the commencement of court-assisted pre-insolvency proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders. *Mandat ad hoc* and *conciliation* are proceedings carried out under the supervision of the president of the court, which do not involve any stay of enforcement against the debtor.

Mandat ad hoc proceedings may only be initiated by the debtor itself, in its sole discretion. In practice, *mandat ad hoc* proceedings are used by debtors that are facing any type of difficulties but are not in a state of insolvency (*cessation de paiements*) (see "*—Insolvency Test*" above). They are confidential and are not limited in time. The duties of the *mandataire ad hoc* are determined by the competent court that appoint him or her. *Mandataires ad hoc* are usually appointed in order to facilitate negotiations with creditors but cannot coerce the creditors into accepting any proposal. The agreement reached between the debtor and its creditors (if any) with the help of the *mandataire ad hoc* will be negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement. Creditors are not barred from taking legal action against the debtor to recover their claims but, they usually accept not to do so. In any event, the debtor retains the right to petition the relevant judge for a grace period, as set forth above. The agreement reached is reported to the court but is not formally approved by it.

Conciliation proceedings are available to a debtor that faces actual or foreseeable difficulties of a legal, economic or financial nature but which (at the time the conciliation proceedings are commenced) has not been in a state of insolvency for more than 45 days. The debtor petitions the President of the Commercial Court for the appointment of a conciliator (whose name it can suggest) in charge of assisting the debtor in negotiating an agreement with all or part of its creditors and/or trade partners. *Conciliation* proceedings are confidential and may last up to five months. During the proceedings, creditors may continue to individually claim payment of their claims but they usually accept not to do so. In addition, the debtor retains the right to petition before the President of the Commercial Court for debt rescheduling for a maximum of two years pursuant to Article 1244-1 of the French Civil Code.

The conciliation agreement reached between the debtor and/or all or part of its creditor and/or trade partners may be either acknowledged (*constaté*) by the President of the court or approved (*homologué*) by the court. It will become binding upon them and the creditors party thereto may not take action against the debtor in respect of claims governed by the conciliation agreement. The acknowledgement (*constatation*) of the conciliation agreement by the president of the court upon all parties' request, gives the agreement the legal force of a final judgment, which means that it constitutes a judicial title that can be enforced by the parties without further recourse to a judge (*titre exécutoire*), but the conciliation proceedings remain confidential.

The approval (*homologation*) by the court, upon the debtor's request, will make the conciliation proceedings public and have the following specific consequences:

- creditors who provide new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity) will enjoy a priority of payment over all pre-proceedings and post-proceedings claims (other than certain pre-proceedings employment claims and procedural costs) (the "**New Money Lien**"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* and therefore the starting date of the hardening period (as defined below—see The "hardening period" (*période suspecte*) in judicial reorganization and liquidation proceedings) cannot be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement by the court (see above regarding the definition of the date of the *cessation des paiements*).

The court decision approving the conciliation agreement does not make the whole of its terms public but makes public the guarantees and priority of payment terms granted to creditors under the conciliation agreement.

A third party having granted a guarantee (*sûreté personnelle*) or a security interest (*sûreté réelle*) with respect to the debtor's obligations can benefit from the provisions of the approved or acknowledged conciliation agreement.

In the event of a breach of the conciliation agreement, any party to it can petition the court for its termination. Conversely, provided the conciliation agreement is duly executed, any individual proceedings by creditors with respect to the claims included in the agreement are suspended.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated financial safeguard proceedings, as described below.

Court-administered Proceedings—Safeguard

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, *provided* that it is not insolvent (*en état de cessation des paiements*). Creditors of the debtor do not attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator is usually appointed to investigate the business of the debtor during an observation period, which may last up to 18 months, and to help the debtor elaborate a draft safeguard plan (*projet de plan de sauvegarde*) that it will propose to its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor, assisted by the court-appointed administrator (*administrateur judiciaire*) who will, in accordance with the terms of the judgment, exercise *ex post facto* control over decisions made by the debtor ("*mission de surveillance*") or assist the debtor to make all or some of the management decisions ("*mission d 'assistance*"), all under the supervision of the court.

During the safeguard proceedings, payment by the debtor of any debts incurred prior to the commencement of the proceedings is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). In addition, creditors are required to declare to the court-appointed creditors' representative (*mandataire judiciaire*) the debts that arose prior to the commencement of the proceedings (as well as the post-commencement non-privileged debts) and are prohibited from engaging any court proceedings against the debtor for any payment default in relation to such debts, and the accrual of interest on loans with a term of less than one year (or on payments deferred for less than one year) is stopped. Debts duly arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the debtor's business activities during the observation period (see above), are for the requirements of the proceedings, or are in consideration for services rendered or goods delivered to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the safeguard proceedings (with certain limited exceptions, such as the New Money Lien).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the plan (debt forgiveness and payment terms) prior to the plan being approved by the court.

The rules governing consultation vary according to the size of the business.

"Standard" consultation: for debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant, and who have less than 150 employees or €20 million of turnover, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who, obtains the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed. Creditors are consulted individually or collectively.

French law does not state whether the proposals for settlement can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at the consultation stage. According to legal commentaries and established practice, in the absence of a specific legislative prohibition, differing treatment as between creditors is possible, *provided* that it is justified by the specific position of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of the claim over a shorter time period instead of a full payment of the claim over ten years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved do not need to be consulted.

Creditors consulted in writing which do not respond within 30 days are deemed to have accepted the proposal. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the administrator and the controllers.

Within the framework of a standard consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the reorganization plan (*plan de redressement*) can order them to accept deferral of

the payment of their claims over a maximum period of ten years (except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no forgiveness of any claim may be imposed without its creditor's individual acceptance.

Committee-based consultation: In the case of large companies (with more than 150 employees or a turnover greater than €20 million), or with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds, two creditors' committees have to be established by the court-appointed administrator on the basis of the debts that arose prior to the initial judgment:

- one for credit institutions or assimilated institutions and entities having granted credit or advances in favor of the debtor (only the legal owner of the bank debt claim will be invited onto the credit institutions' committee. Accordingly, a person holding only an economic interest therein will not itself be a member of the credit institutions' committee); and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator.

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes), a general meeting of all holders of such debt securities will be established irrespective of whether or not there are different issuances and of the governing law of those *obligations* (the "*Bondholders' General Meeting*").

The proposed plan:

- must take into account subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may, *inter alia*, include a rescheduling or cancellation of debts, and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

The committees must approve or reject the safeguard plan within a minimum of 15 days of its submission. The plan must be approved by a majority vote of each committee, *provided* that the majority is two-thirds of the outstanding claims of the creditors expressing a vote.

The amounts of the claims secured by a trust (*fiducie*) constituted as a guarantee granted by the debtor are not taken into account. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not take part in the vote. Such creditors do not need to be consulted on the plan.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the Bondholders' General Meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the Bondholders' General Meeting and determination of a rescheduling of the claim of creditors that are not members of the committees or bondholders as discussed hereafter, the plan has to be approved (*arrêté*) by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected and that relevant shareholder consent, if any is required, has been obtained. Once approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan). With respect to creditors who are not members of the committees or in the event no committees are established, proposals are made to each creditor collectively or individually.

For those creditors outside the creditors' committee or the Bondholders' General Meeting who have not reached a negotiated agreement, the court can impose a uniform rescheduling of the repayment of their claims over a maximum period of ten years, except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same. The court cannot oblige creditors subject to such a rescheduling to waive any part of their claim or accept debt-for-equity swaps. The first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be of at least 5% of the total amount of the debt claim) or the year following the initial maturity of the claim if it is later than the date of the first anniversary of the adoption of the plan, in which case the amount of the payment is determined in accordance with specific rules in order to ensure that the full amount of the claim is repaid within the 10 year period.

In the event that the debtor's proposed plan is not approved by both committees and the Bondholders' General Assembly within the first six months of the observation period, either because they do not vote on the plan or because they reject it, the court can still adopt a safeguard plan in the time remaining until the end of the observation period. In such a case the rules are the same as the ones applicable for the consultation of creditors that are not part of the committees and that are not bondholders and, in particular, the court can only impose a rescheduling of the repayment of the debts over a maximum period of ten years (as described in the immediately preceding paragraphs).

Specific case—Creditors that are public institutions: Public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position, under normal market conditions. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors are consulted under specific conditions, within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

In the event that safeguard (or judicial reorganization) proceedings are commenced against a French Guarantor, the holders of the Notes will not be members of the credit institutions' committee but would vote on any proposed draft safeguard plan as members of the Bondholders' General Meeting concerned.

Bondholders could, as members of the Bondholders' General Meeting, veto a draft safeguard plan if they constituted a blocking minority (i.e., their claims represent more than one-third of the claims of those creditors casting a vote in the Bondholders' General Meeting).

Court-administered Proceedings—Accelerated Financial Safeguard

A debtor in *conciliation* proceedings may request commencement of Accelerated Financial Safeguard proceedings. The Accelerated Financial Safeguard procedure has been designed to "fast-track" purely financial difficulties of large companies having (i) either more than 150 employees or a turnover greater than €20 million or (ii) whose total balance sheet exceeds (a) €25 million or (b) €10 million if they control another company (1) which has more than 150 employees or (2) whose turnover for the previous financial year is greater than €20 million or (3) whose total balance sheet exceeds €25 million.

These proceedings apply only to debt owed to financial institutions and bondholders (i.e., debts towards. credit institutions and bond debt) the payment of which is suspended by the plan adopted through the Accelerated Financial Safeguard proceedings, other debts (i.e. trade debt) continuing to be paid in the ordinary course of business. As to financial creditors, the debtor will be prohibited from paying any amounts in connection with the finance documents that fall due during the observation period. Should interest fall due during the observation period, it may be paid only after the judgment of the Commercial Court approving the safeguard plan and in accordance with its terms. Creditors, other than financial creditors, such as public creditors, the tax or social security administration and suppliers are not directly impacted by Accelerated Financial Safeguard proceedings. Their debts will continue to be due and payable according to their contractual or legal terms.

As with traditional safeguard proceedings, the plan adopted in the context of Accelerated Financial Safeguard proceedings may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital in the debtor (debt-for-equity swaps requiring relevant shareholder consent).

To be eligible to Accelerated Financial Safeguard proceedings, the debtor must fulfill three conditions:

- as is the case for regular safeguard proceedings, the debtor must (i) not be insolvent and (ii) face difficulties which it is not in a position to overcome;
- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the commencement of Accelerated Financial Safeguard proceedings; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of his business as a going concern supported by enough of its financial creditors (i.e., credit institutions and bondholders) to render likely its adoption by a two-thirds majority of its financial creditors within a maximum of two months of the commencement of the proceedings.

The list of claims of credit institutions and bondholders party to the *conciliation* proceeding shall be drawn up by the debtor and certified by the statutory auditor and shall be deemed to constitute the filing of such claims for the purpose of the Accelerated Financial Safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

The total duration of the Accelerated Financial Safeguard proceedings (i.e., the period between the judgment commencement the Accelerated Financial Safeguard proceedings and the judgment adopting the plan) is one month, unless the court decides to extend it by one additional month. If a plan is not adopted by the creditors and approved by the court within such deadlines, the court shall terminate the proceedings.

Judicial Reorganization or Liquidation Proceedings

Judicial reorganization (*redressement judiciaire*) or liquidation proceedings (*liquidation judiciaire*) may be initiated against or by a debtor only if it is insolvent and, with respect to liquidation proceedings only, if the debtor's recovery is manifestly impossible. Note that the French Constitutional Court held as unconstitutional (i) the commencement of judicial reorganization proceedings by the Court at its own initiative (December 7, 2012 n° 2012-286 QPC), (ii) the commencement of judicial liquidation proceedings by the Court at its own initiative (March 7, 2014, n° 2013-368 QPC). The French Constitutional Court also held as unconstitutional the termination of the safeguard plan and subsequent commencement of judicial liquidation proceedings by the Court at its own initiative (March 7, 2014, n° 2013-372 QPC). The debtor is required to petition for insolvency proceedings (or for conciliation proceedings, as discussed above) within 45 days of becoming insolvent. If it does not, de jure managers (including directors) and, as the case may be, *de facto* managers are exposed to civil liability.

Under the judicial reorganization proceedings the administrator appointed by the court will assist the debtor to make management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*). As a result of the commencement of liquidation proceedings the managers of the debtor are no longer in charge of the management.

The court order commencing the proceedings may order either the reorganization or the liquidation of the debtor. In the event of reorganization, an administrator is usually appointed by the court (*administrateur judiciaire*) to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by developing a reorganization plan, which is similar to a safeguard plan), or the sale of the business or the liquidation of the company. However, it cannot be ruled out that, further to the aforementioned decisions from the French Constitutional Court, the constitutionality of the conversion of a safeguard or judicial reorganization proceedings into judicial reorganization or liquidation proceedings, when it is decided on the court's own initiative, be challenged. Committees of creditors and a Bondholders' General Meeting may be created under the same conditions as in safeguard proceedings (see above). At any time during this observation period, the court can order the liquidation of the debtor. At the end of the observation period, the outcome of the proceedings is decided by the court.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). No maximum time period is provided by law to limit the duration of the judicial liquidation process. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment).

Concerning the liquidation of the assets of the debtor, there are two possible outcomes of such liquidation scenario:

- an asset sale plan (in which case the court will usually appoint a judicial administrator to manage the company and organize such sale of the business), or
- a sale of the individual assets one of the debtor, in which case the liquidator may decide to:
  - launch auction sales,
  - sell on an amicable basis each asset for which spontaneous purchase offers have been received, (the formal authorization of the bankruptcy judge being necessary to conclude the sale agreement with the bidder), or
  - request, under the supervision of the bankruptcy judge, from all potential interested purchasers to bid on each asset, as the case may be by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*).

When either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*), the court terminates the proceedings.

The "hardening period" (période suspecte) in judicial reorganization and liquidation proceedings

The date of insolvency (*cessation des paiements*) is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the date of insolvency may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The date of insolvency is important because it marks the beginning of the "*période suspecte*" (otherwise referred to as "hardening period"), being the period between the date of insolvency and the court decision commencing the proceedings. Certain transactions undertaken during the hardening period may be void or voidable. Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no, or nominal, consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business and security granted for debts (including a security granted to secure a guarantee obligation) previously incurred and provisional measures, unless the writ of attachment or seizure predates the date of insolvency, operations relating to stock options, fiduciary transfers (unless the transfer is made as a security for an indebtedness entered into simultaneously) and modifications to existing fiduciary transfers securing previous debts..

Transactions voidable by the court include payments made on accrued debts, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the creditor knew of the insolvency of the debtor. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

Status of Creditors during Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions pursuant to which the commencement of the safeguard or insolvency proceedings constitutes an event of default are not enforceable against the debtor, while the court-appointed officer can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. The court-appointed officer can, conversely, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-petition contractual obligations. The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a "plan for the sale of the business" (*plan de cession*) (which it may do for a period of three months, renewable once), in which case the acceleration of the obligations will only occur on the date of the court decision adopting the "plan for the sale of the business" or on the date on which the continued operation of the business ends.

During the observation period:

- accrual of interest is suspended (except in respect of loans for a term of at least one year, or contracts providing for a payment which is deffered by at least one year);
- the debtor is prohibited from paying debts incurred prior to the date of the court decision commencing the proceedings, subject to specified exceptions which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge to recover assets for which recovery is justified by the continued operation of the business;
- the debtor is prohibited from paying debts duly arising after the commencement of the proceedings and which relate to expenses that are not necessary for the debtor's business activities during the observation period (post-commencement non-privileged debts);
- creditors may not pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:
    - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);

- to terminate a contract for non-payment of amounts owed by the creditor; or
- to enforce the creditor's rights against any assets of the debtor.

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of proceedings must file a claim with the creditors' representative within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, in principle, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferential creditors under French law.

In accelerated financial safeguard proceedings, however:

- debts owed to creditors other than banks, financial institutions or bondholders should be paid in the ordinary course; and
- the debtor draws a list of the claims of its creditors having participated in the conciliation proceedings, which is certified by its statutory auditors (failing which, its accountant). Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Those financial creditors who did not take part in the conciliation proceedings (but who would belong to the financial institutions' committee or the Bondholders' General Assembly) would have to file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

If the court adopts a plan for the sale of the business (*plan de cession*) of the debtor, the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the debtor and settling its relevant debts in accordance with their ranking.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, officials appointed by the insolvency court, creditors who, as part of the sanctioned *conciliation* agreement, have provided new money or goods or services, post-petition creditors, certain secured creditors essentially in the event of liquidation proceedings and the French State (taxes and social charges).

Creditors' Liability

Pursuant to article L. 650-1 of the French Commercial Code, where insolvency proceedings have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor on the following grounds (and may only be held liable on those grounds) provided that such grant was itself wrongful ("*fautif*"): (i) fraud; (ii) wrongful interference with the management of the debtor; or (iii) the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

Recent main modifications to French insolvency law

French insolvency law will change as a result of Ordinance No. 2014-326 of March 12, 2014 relating to the reform of the prevention of corporate difficulties and of insolvency proceedings ("Ordinance No. 2014-326"), which will come into force on July 1, 2014, it being specified that it will not apply to proceedings ongoing at that date. This reform will affect the current regime as explained above, in relation to *mandat ad hoc* proceedings, conciliation proceedings, safeguard proceedings, accelerated safeguard proceedings, judicial reorganization and liquidation proceedings.

Ordinance No. 2014-326 provides in particular for the following modifications:

Amicable proceedings (mandat ad hoc and conciliation proceedings)

- in the event of the commencement of subsequent safeguard or judicial reorganization proceedings, within the context of the adoption of a safeguard plan or a recovery plan, the court will not be able to impose a payment deferral to a date later than the date on which the plan is adopted or debt reductions to creditors with respect to their claims benefiting from the New Money Lien;

- at the request of the debtor and after the participating creditors have been consulted on the matter, the conciliator may be appointed with a mission to organize the partial or total sale of the debtor which would be implemented as applicable, in the context of subsequent safeguard, judicial reorganization or liquidation proceedings;
- any offers received in this context by the conciliator may be directly submitted to the court in the context of reorganization or liquidation proceedings after consultation of the Public Prosecutor;
- in case of acknowledgement (*constat*) or approval (*homologation*), the court can, at the request of the debtor, appoint the conciliator to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution;
- with respect to grace periods under Articles 1244-1 and subsequent of the French Civil Code, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement impose such grace periods on creditors having participated in the conciliation proceedings (other than the tax and social security administrations) for their claims that were not dealt with in the conciliation agreement;
- so long as the conciliation agreement is in effect, interest produced by the affected claims can no longer be capitalized; and
- two types of contractual provisions are deemed null and void: (i) any provision that modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to this end and (ii) any provision forcing the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, the fees of the professional advisers whom the creditor shall have retained in connection with these proceedings for the portion exceeding the proportion to be specified by decree. Similarly, the remuneration of the *mandataire ad hoc* and/or the conciliator may not be determined based on the amount of debt written-off.

Insolvency proceedings

- as soon as insolvency proceedings are commenced, the immediate payment of any unpaid amount of share capital of the debtor will be required;
- the mandataire judiciaire may demand that a shareholder pay its portion of the unpaid share capital;
- all interest resulting from loan contracts having a duration of one year or more, or contracts having a deferred payment of one year or more, can no longer be capitalized as of the opening judgment; and
- the court will not be able to impose a payment deferral to a date later than the date on which the plan is adopted or debt reductions to creditors with respect to their claims benefiting from the New Money Lien

Modifications interesting creditors' committees

- creditors which are members of the credit institutions' committee or the suppliers' committee may prepare an alternative safeguard or reorganization plans, that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of these alternative plans is subject to the same two-thirds majority vote in each committee and in the Bondholders General Meeting (bondholders not being permitted to present their own alternative plan) and gives rise to a report by the judicial administrator;
- each creditor member of a creditors committee and each holder of the Notes must, if applicable, inform the judicial administrator of the existence of any agreement relating to the exercise of its vote, to the full or total payment of its claim by a third party as well as of any subordination agreement. The judicial administrator shall then submit to the creditor/ holder of the Notes a proposal for the computation of its voting rights in the creditors committee/Bondholders General Meeting. In the event of a disagreement, the creditor/holder of the Notes or the judicial administrator may request that the matter be decided by the president of the commercial court in summary proceedings;
- at the request of the court-appointed administrator, extension of the deadline to vote on the plan by creditors and bondholders for a period which cannot exceed the observation period;

Modifications interesting only safeguard proceedings, accelerated safeguard proceedings and Accelerated Financial Safeguard proceedings

- the Accelerated Financial Safeguard proceedings, which was previously limited solely to financial creditors, remains but is now a sub-category of a new type of proceedings, accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) which is created to include also non-financial creditors which are available to debtors (i) who publish accounts certified by an auditor and meet certain thresholds (in terms of number of employees, revenues and total net assets) which are to be set by a decree which has yet to be published or (ii) who publish consolidated accounts;
- the deadline by which the court must adopt the plan does not change for Accelerated Financial Safeguard proceedings (i.e. one month following the judgment commencing accelerated financial safeguard proceedings, that can be extended by one month), provided that this deadline is of three months maxim in the case of accelerated safeguard proceedings;
- the criteria for the commencement of accelerated safeguard proceedings or ccelerated Financial Safeguard proceedings have been eased: pursuant to the Ordinance No. 2014-326, such proceedings may be opened as long as the debtor has not been insolvent for more than 45 days prior to the request for the commencement of conciliation proceedings;
- if no plan is adopted by the committees, at the request of the debtor, the judicial administrator, the mandataire judiciaire or the public prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

Modifications interesting reorganization or judicial liquidation proceedings only

- In reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by article L.626-3 of the French Commercial Code, the administrator may appoint a trustee (*mandataire en justice*) to convene a shareholders' meeting and vote on behalf of the shareholders which refuse to vote in favour of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the recovery plan;
- the Court will no longer be able to commence judicial reorganization proceedings on its own initiative;
- the Court will no longer be able to commence judicial liquidation proceedings on its own initiative;
- if the proposed a reorganization plans are manifestly not likely to ensure that the company will recover or if no reorganization plan are proposed, the court upon the request of the administrator, can order the total or partial transfer of the business;
- the court may terminate the proceedings when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets. The court may also appoint a mandataire in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

Void and voidable transactions

- creation of a new type of "void transaction" including a declaration of non-seizability (*déclaration* d'insaisissabilité) that occurred during the hardening period.

Limitations on Guarantees

The liabilities and obligations of the French Guarantor are subject to:

- certain exceptions, including to the extent of any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or infringement of the provisions of Articles L. 241-3, L. 242-6 or L.244-1 of the French Commercial Code; and
- French corporate benefit rules.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition. No French Guarantor shall

guarantee liabilities which would result in such French Guarantor not complying with French financial assistance rules as set out in article L..225-216 of the French Commercial Code and/or would constitute a misuse of corporate assets within the meaning of article L.242-6 and L.244-1 of the French Commercial Code or any other law or regulations having the same effect, as interpreted by French courts.

Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French Guarantor did not fulfil that criteria. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, the guarantees by the French Guarantor and the amounts recoverable thereunder will be limited to amounts that represent the aggregate of all amounts of the Notes proceeds on-lent, directly or indirectly, to such French Guarantor, and the controlled subsidiaries of that French Guarantor, via any intra-group loans, cash pooling arrangements or any other intercompany debt arrangements and outstanding at the time a payment is requested to be made under the French Guarantor's Note Guarantee provided that (i) any payment made by such French Guarantor under its Note Guarantee will reduce *pro tanto* the outstanding amount due under such intra-group loans, cash pooling arrangements or intercompany debt arrangements and (ii) the maximum guaranteee amount shall be limited as necessary in order to ensure that the French Guarantor is at all times in compliance with French financial assistance rules as set out in article L. 225-216 of the French Commercial Code and/or that the Note Guarantee would not constitute a misuse of corporate assets within the meaning of article L. 242-6 and L. 244-1 of the French Commercial Code or any other law or regulations having the same effect, as interpreted by French courts.

By virtue of these limitations above, a French Guarantor's obligation under the Guarantee could be significantly less than amounts payable with respect to the Notes, or a French Guarantor may have effectively no obligation under its Note Guarantee.

In addition, if a French Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such French Guarantor would obtain in a transaction entered into on an arm's-length basis, the difference between the actual economic benefit and that in a comparable arm's-length transaction could be taxable under certain circumstances.

Trust

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following Defaults or Events of Default, and acts in a fiduciary capacity in the best interests of the holders of the Notes.

The concept of "trust" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 *Belvédère*) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

Fraudulent conveyance

French law contains specific, "*action paulienne*" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*) in insolvency proceedings of the relevant debtor or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who

was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if: (i) the debtor performed such act without an obligation to do so; (ii) the relevant creditor or (in the case of the debtor's insolvency proceedings) any creditor was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*) no such knowledge of the counterparty is necessary). If a court found that the issuance of the Notes or the granting of a Note Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes or the granting of such Note Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Note Guarantees and the value of any consideration that holders of the Notes received with respect to the Notes or the Note Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Company or the Guarantors as a result of the fraudulent conveyance.

Malaysia

One of the Guarantors, Maccaferri (Malaysia) SDN BHD, is a Malaysian company. As a result, any insolvency proceedings by or against such Guarantors would most likely be based on the bankruptcy law of Malaysia, which may differ in significant respects from, and may not be as favorable to, holders of the Notes as compared with provisions of the United States law or laws in other jurisdictions with which holders of the Notes may be familiar. Courts outside of the United States may not recognize the jurisdiction of a United States bankruptcy court. Accordingly, holders of the Notes may have difficulties in administering a United States bankruptcy case involving a Malaysian debtor with property located outside of the United States, and any orders or judgments of a bankruptcy court in the United States may not be enforceable outside of the United States.

Insolvency

Pursuant to Section 176(1) of the Malaysian Companies Act 1965 ("**Section 176(1)**"), a company or any of its creditors may apply to a Malaysian court for a scheme of arrangement between the company and its creditors or any class of creditors. Any creditor holding more than 25% in value of the total debt held by the creditors of any particular class is able to veto the scheme relating to that particular class of creditors, or, if the scheme is proposed between the company and all of its creditors, the scheme relating to all creditors, and set aside any order convening the required statutory meeting. If at least 50% in number of the creditors or class of creditors holding at least 75% in value of the total debt present and voting agrees to the scheme and the scheme is approved by the court, the scheme will be binding on all creditors or class of creditors, as the case may be. Because Section 176(1) allows the claims of minority creditors to be compromised, the court's duty is to ensure that the scheme is fair and reasonable and that there is no oppressive conduct with respect to the minority creditors. The court's duty to ensure that the proposed scheme is fair and reasonable exists at both stages, being the convening of the meetings and at the sanction stage.

Where no order has been made or resolution passed for the winding up of a company and a scheme of arrangement has been proposed between the company and its creditors or any class of creditors, the company or any creditor may apply to the court for an order restraining further proceedings in any action or proceeding against the company except with the leave of court, pending the decision of the court on the scheme of arrangement. The court may grant a restraining order if, among other requirements, it is satisfied that there is a proposal for a scheme of arrangement between the company and its creditors or any class of creditors representing at least 50% in value of the debt of all the creditors, and the restraining order is necessary to enable the company and its creditors to formalize the scheme of arrangement for the approval of the creditors pursuant to Section 176(1). The restraining order is typically valid for a period of 90 days or for such extended period granted by the court.

Risks Related to Guarantees

Under Malaysian law, a guarantee is a binding contract only if made by the free consent of the guarantor. A guarantee would be voidable if the guarantor was threatened, induced, deceived or misled into giving its consent to the guarantee. In the event that the guarantee is voided, investors would cease to have a claim against the guarantor based on the guarantee.

The enforceability of a guarantee may also be affected by the insolvency of the guarantor. A guarantor will be deemed insolvent if it is unable to pay its debts as they fall due. The creditors may present a winding-up petition against the guarantor and the court may declare the guarantor wound-up. There can be no assurance that, after providing for all prior debts, there would be sufficient assets to satisfy the claims of the holders of the Notes.

Bolivia

One of the Guarantors, Maccaferri de Bolivia LTDA., is a Bolivian company. The following is a brief description of certain aspects of treatment of corporate difficulties and insolvency proceedings governed by Bolivian law.

Civil legislation (mainly the Civil Code and the Code of Civil Procedure) protects creditors' rights, allowing the recovery of their debt by means of ordinary or executory court proceeding, depending on the nature of the origin of the title of the debt. Following the verdict of the court proceeding, a creditor may recover its debt by auction of the debtor's assets. Bolivian law prohibits an agreement whereby the property of a good pledged or mortgaged to a creditor would be transferred to such creditor when the debt is not paid.

Also, the Voluntary Restructuring Law (Law Nº 2495 dated August 4, 2003) consists of an alternative administrative procedure for companies facing financial problems to reach an agreement with their creditors, to either restructure the company or, otherwise, to voluntary liquidate the company through the execution of a settlement. However, this procedure was suspended in 2007 by means of Supreme Decree 29192 dated July 14, 2007, and has not been restated as of the present.

Insolvency

Applicable Bolivian insolvency and bankruptcy regulations are established in the Code of Commerce and in the Civil Code. The applicable regulations provide the following procedures in cases of insolvency (defined as the cessation of payment of its debts by a company):

- *Concurso Preventivo* (Code of Commerce): Bolivian commercial legislation provides for this procedure when a merchant is in suspension of payments, allowing the preparation of a reorganization plan to reach an agreement with its creditors, with the intention to prevent the declaration of bankruptcy. The *Concurso Preventivo* is to be requested either by the debtor or by its creditors upon completion of certain requirements. If an agreement is not reached with the creditors, then the bankruptcy procedure is automatically initiated. In addition, the judge may reject the opening of a *Concurso Preventivo* and declare the bankruptcy of the company. The concludes when the debtor resumes the payment of its obligations or when the preventive agreement approved by the creditors' meeting is executed. During the *Concurso Preventivo*, all patrimonial judicial proceedings held against the debtor are suspended, except for those related to family and labor issues. Also, the declaration of such procedures interrupts the prescription term of credits and all preceding preventive measures against the debtors' assets are maintained. The debtor is prohibited to transfer any of his assets, to constitute new securities or to celebrate agreements that may change the creditor's situation prior to the filing of the procedure.
- Bankruptcy (Code of Commerce): A bankruptcy may be filed directly when the company is in suspension of payments, or when a *Concurso Preventivo* fails. The declaration of bankruptcy of a merchant in suspension of payments must be requested by one or more creditors, by the same debtor or by the judge in the cases contemplated by law. Once the bankruptcy is declared, the judge appoints a bankruptcy trustee (*Síndico de Quiebra*) who takes charge of the administration of the company. In order to supervise the administration of the bankruptcy and the trustee, the Creditors' Meeting appoints a supervisor (*Interventor*) to represent the creditors in the bankruptcy procedure. The conclusion of the bankruptcy procedure is determined by the judge once the assets are liquidated and the debts are paid according to an agreement reached by the debtor and its creditors. Once the Bankruptcy Declaration has been issued, judicial proceedings held against the debtor are suspended, except for those related to family or labor matters. Creditors secured by a pledge or mortgage guarantee may request the auction of such secured assets at any time.
- Dissolution and liquidation (Code of Commerce): The Code of Commerce provides that when a company faces loses that are higher than 50% of its paid-in capital stock plus free accounting reserves, the shareholders must reduce the paid-in capital. If, once the reduction of the capital is undertaken, the final capital it is not sufficient to accomplish the purpose of the company, then the company must be dissolved and liquidation proceedings initiated. In such case, the dissolution of a company needs to be

agreed to by an extraordinary shareholders meeting, in which a liquidator or liquidators are appointed, who shall be in charge of collecting receivables, liquidating assets and cancelling liabilities. Such insolvency process does not produce any effect on debt collection and the enforcement of security. Creditors secured by a pledge or mortgage guarantee may request the auction of such secured assets if they are not timely paid.

Remedies for Creditors

Bolivian Law provides several remedies for creditors who have no security. As a general principle, all present and future personal and real property belonging to a debtor constitute common security for its creditors, except for property not subject to seizure.

The Civil Procedure Code regulates all preventive measures applied to shelter the debtor's security once the judicial proceeding has been initiated. These measures include: provisional filing of property in the registry to protect the security; attachment of property, to ensure the satisfaction of a judgment; seizure of assets; intervention, and prohibition against agreements or acts on certain assets.

Priority of claims.

Bolivian civil, commercial, labor and tax legislation provide the following order for the payment of a company's obligations when declared in bankruptcy or in liquidation:

- Salaries and other labor and social security obligations;
- Privileged creditors (secured with pledge or mortgage guarantee);
- Tax obligations; and
- Ordinary creditors (with no specific privilege; this kind of creditors collect their credits proportionally from the remaining patrimony of the debtor).

Legal provisions to invalidate the creation of security, the disposal of an asset or the payment of a creditor by a company in financial difficulties

As a general provision, a creditor may exercise an action against a debtor to nullify fraudulent acts of disposition of assets (*Acción Pauliana*) that could harm the creditor's rights.

Under Bolivian law, companies subject to suspension of payments are prohibited to create new securities, to freely transfer goods or undertake any similar act that could harm the creditor's rights. If performed, all these actions are legally ineffective.

Mexico

The Notes will be guaranteed by Maccaferri de Mexico, S.A. de C.V., a Mexican company. In the event that such companies fail to comply with their payment obligations in a general manner, they may be declared in "*concurso mercantil*" in accordance with the applicable law in Mexico (*Ley de Concursos Mercantiles* or Commercial Bankruptcy Law, "**CBL**").

Under the CBL, the "*concurso mercantil*" proceeding have two consecutive phases: "conciliation" (*conciliaciòn*) and "bankruptcy" (*quiebra*). The purpose of the conciliation phase is to achieve the continuation of the companies' activities through the execution of an agreement with their creditors. In the bankruptcy stage, the purpose is the liquidation of the companies or their assets in order pay their creditors. Companies can request to be declared in bankruptcy directly and dispense with the conciliation stage and its benefits.

According to the CBL, a company fails to comply with its payment obligations in a general manner when it is in payment default with two or more different creditors, and either (i) requests to be declared in "*concurso mercantil*" and meets any of the two conditions described below, or (ii) any of its creditors or the public prosecutor (*Ministerio Público*) makes a claim for an insolvency declaration of the company if it meets both of the following conditions:

- The relevant obligations are at least 30 days past due and represent 35% or more of all the obligations of the company as of the date of the filing of the "*concurso mercantil*" petition.
- The company does not have certain kinds of assets in amounts sufficient to backstop at least 80% of its obligations due as of the date of the filing of the "*concurso mercantil*" petition.

Two or more companies forming part of a same corporate group ("*grupo societario*") can simultaneously file a petition in order to be jointly declared in "*concurso mercantil,*" without consolidating their assets. It is understood that both holding companies (*sociedades controladoras*) and their subsidiaries (*sociedades controladas*), each as described below, form part of the same corporate group:

- Holding Company: A holding company is defined as a company which directly or indirectly has the rights to vote more than 50% of the shares of another company, has decision-making power in its assembly, is in a position to appoint the majority of the members of the board of directors, or by any other means, has the power to make the fundamental decisions in the other company.
- Subsidiary: A subsidiary is defined as a company in which more than 50% of the voting shares are owned, either directly, indirectly or both, by a holding company, or a company in which another company has the ability to lead, directly or indirectly the management, strategy and major policies, whether through the ownership of shares, by agreements or by any other means.

The District Judge (*juez de distrito*) with jurisdiction in the place where a company has its domicile is competent to receive the petition and decide the "*concurso mercantil*," except for (i) holding companies—if any of its subsidiaries have previously initiated a "*concurso mercantil*" proceeding, or subsidiaries—in case their holding company has previously initiated a "*concurso mercantil*" proceeding, since in any of these cases the competent judge will be the one who knew about the first proceeding; and (ii) if two or more companies that form part of one corporate group are asking to be jointly declared in "*concurso mercantil*," since in such case the competent judge will be the one with jurisdiction in the place of domicile of the company that first failed to comply with its payment obligations in a general manner.

The judgment declaring a company in "*concurso mercantil*" must contain, among other things: (i) the order to suspend the payment of debt incurred prior to the effectiveness date of the judgment, except for those that are essential to the ordinary operation of the company, (ii) the order to suspend during the conciliation stage, all writs of attachment or execution, with the exceptions set forth in the CBL, and (iii) the retroactiveness date (*fecha de retroacción*) for purposes of the acts in fraud of creditors, if any, have been executed.

Once the "*concurso mercantil*" judgment is issued and until the end of the conciliation stage, no one can run any writ of attachment or execution against the company's assets, except in such cases as are expressly set forth in the CBL.

Any contractual provision that worsens the terms of a contract to which any party declared in "*concurso mercantil*" is a party shall not be taken into account, except as expressly set forth in the CBL.

The conciliation stage lasts 185 calendar days, but the governing bodies of the "*concurso mercantil*" or certain specific majorities of creditors may authorize one or two extensions of 90 days each, if they consider that an agreement is about to be reached. The conciliation stage and its extensions shall not exceed 365 calendar days in total. If these time limits expire before the company reaches an agreement with its creditors, or at least certain specific majorities of them, and such agreement is submitted to the judge's approval, the company is declared in bankruptcy (*quiebra*). Once bankruptcy is declared, the judge starts with the liquidation of the company or its assets in order to pay the creditors' claims according to their grades.

Creditors are ranked in the following order, depending on the nature of their credits:

- First, privileged labor claims (wages and salaries accrued in the previous year);
- Second, administrative claims;
- Third, claims incurred to attend the regular expenses in connection with the security, repair, conservation and management of the estate assets;
- Fourth, claims for judicial or extrajudicial procedures for the benefit of the estate;
- Fifth, "singularly privileged" creditors (burial and terminal illness expenses);
- Sixth, secured creditors;
- Seventh, labor and unsecured tax claims;
- Eighth, creditors with special privilege;
- Ninth, unsecured creditors;

- Tenth, subordinated creditors; and
- Eleventh, common creditors.

No payments may be made to any creditor of a certain rank before all of the creditors of a better rank have been paid off.

Hong Kong

Corporate Authorization

The Notes will be guaranteed by Maccaferri China (Hong Kong) Co., Limited and Maccaferri Asia Limited, companies incorporated under the laws of Hong Kong (the "**Hong Kong Guarantors**"). Under Hong Kong law, a transaction of a Hong Kong company (such as the provision of a guarantee) may be challenged by the members if it is beyond the powers of the directors and/or the Hong Kong company under its articles of association, and/or is not for a proper purpose (for instance, the transaction is beyond the scope of its articles of association, the transaction is not in the best interests of the Hong Kong company and/or the directors are not entering into the transaction for the furtherance of the substantive objectives of the Hong Kong company).

In addition, it is usual practice for such guarantees to be approved by a shareholders' and/or directors' resolutions authorizing or subsequently ratifying the giving of such guarantee, particularly where such guarantee is by deed requiring the common seal of the Hong Kong company to be affixed. However, even if the guarantee was made properly with corporate authorization, this does not prevent the possibility of a challenge by a liquidator (in that, when the Hong Kong company is insolvent, directors owe their duties to creditors, as well as shareholders).

Insolvency

Insolvency proceedings with respect to the Hong Kong Guarantors may be commenced in Hong Kong and, if so, will, as a general rule, be based on Hong Kong insolvency and winding-up provisions contained in various legislation.

In Hong Kong, there is no unified legislation governing corporate insolvency. Instead, legislation governing corporate insolvency is contained principally in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "**CWUMPO**") (in particular Part V of the CWUMPO) and some of its subsidiary legislation, namely the Companies (Winding-up) Rules (Cap. 32H of the Laws of Hong Kong) ("**CWUR**") and Companies (Reports on Conduct of Directors) Regulation (Cap. 32J of the Laws of Hong Kong). Certain provisions of the Bankruptcy Ordinance (Cap. 6 of the Laws of Hong Kong) ("**BO**") and its subsidiary legislation, namely the Proof of Debts Rules (Cap. 6E of the Laws of Hong Kong), is also applicable in the liquidation of insolvent companies. Other legislation, such as the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Protection of Wages on Insolvency Ordinance (Cap. 380 of the Laws of Hong Kong) and the Limitation Ordinance (Cap. 347 of the Laws of Hong Kong) should also be referred to. Also, the principles and precedents of company/insolvency law derived from the English and the Commonwealth common law and equity systems may also be relevant to Hong Kong.

Under Hong Kong law, there are two main forms of liquidation (or winding-up) procedures: (i) compulsory liquidation and (ii) voluntary liquidation.

(i) Compulsory liquidation occurs following the court's acceptance of a petition presented by either a company incorporated in Hong Kong itself, the Hong Kong company's contributory or the Hong Kong company's creditor. A creditor may petition for the winding up of a Hong Kong company on the ground that, among other things, the Hong Kong company "is unable to pay its debts." Section 178 of the CWUMPO sets out the circumstances in which a company will be deemed to have such inability. These include, *inter alia*:

   (a) failure to pay or provide security for payment on terms that are acceptable to the creditor, a debt of at least HK$10,000 within three weeks of service of a formal demand;

   (b) a judgment creditor has tried to enforce his or her judgment by execution on the Hong Kong company's property and the execution has failed to be satisfied in whole or in part; and

   (c) where the court is satisfied that the Hong Kong company is unable to pay its debts.

(ii) Voluntary liquidation is a procedure conducted out of court which generally occurs:

(a) where the shareholders of a Hong Kong company pass a special resolution to place the company into liquidation; or

(b) where a majority of the Hong Kong company's directors make and deliver to the Registrar of Companies, a winding-up statement certifying, inter alia, that a board resolution has been passed to the effect that the company cannot by reason of its liabilities continue its business.

There are two types of voluntary liquidation: (i) members' voluntary liquidation and (ii) creditors' voluntary liquidation. According to Section 233 of the CWUMPO, if a majority of the Hong Kong company's directors are able to certify that the Hong Kong company is solvent and will be able to pay its debts in full within twelve months after commencement of winding-up, the liquidation will be a members' voluntary liquidation. Otherwise, the liquidation will be a creditors' voluntary liquidation.

There is no statutory reorganization in Hong Kong, but it is possible for creditors of a Hong Kong company to attempt to negotiate an informal contractual restructuring agreement with the Hong Kong company.

Schemes of arrangement are provided under Sections 673 and 674 of the Companies Ordinance (Cap. 622) which, although not strictly an insolvency procedure, involve a compromise or arrangement between a Hong Kong company and its creditors or members (or any class of them). A scheme will require the agreement of a majority in number representing 75% in value of creditors and 75% voting right of members (or classes of them) present and voting at the relevant meeting and if approved by the court will become binding on all creditors. The court maintains discretion as to whether or not to sanction a scheme and will consider compliance with the statutory process that the class at any class meeting was fairly represented and, whether the majority approving the scheme has acted in good faith and did not coerce the minority in order to promote interests adverse to those of a class as a whole and whether the scheme was fair to all creditors in the circumstances. The applicant must show that the arrangement is one that an intelligent and honest person, being a member of a class concerned and acting in his or her interest, might reasonably approve.

Liquidation of a Hong Kong Company

In the event of the insolvency of a Hong Kong company, its secured creditors will have priority over other unsecured creditors in respect of competing claims over the assets of the insolvent company, save only for priority debts (such as taxes), *provided* that the security is perfected. Such secured creditors may also realize the charged asset and be paid from the sale proceeds of such charged asset.

Liquidators of companies are empowered to undertake investigations, and if fraud or deception is proved, may seek redress personally against the directors and officers concerned, who may be required to repay or restore the property to the company or make such other pecuniary compensation or contribution to the assets of the company as the court considers appropriate. In more severe cases, criminal prosecution may follow and, where convicted, the relevant director or officer may be imprisoned. Potential areas of challenge include:-

(i) *fraudulent trading*—where the business is carried on with intent to defraud creditors or for any other fraudulent purpose (section 275 of the CWUMPO);

(ii) *misfeasance*—where directors have breached their duties to the company or have misapplied or retained or become liable or accountable for property of the company (section 276 of the CWUMPO);

(iii) *unfair preference*—the liquidator may challenge creditors who have been preferred by the company within six months of commencement of the liquidation, with such six months being increased to two years in the case of "associates," which is widely defined to include transfers between directors and members of their families (sections 266 and 266B of the CWUMPO);

(iv) *disposition of property with intent to defraud creditors*—this is voidable at the instance of the person prejudiced by the disposition except if it is disposed of for valuable consideration and in good faith or upon good consideration and in good faith to any person not having, at the time of the disposition, notice of the intent to defraud creditors (section 60 of the Conveyancing and Property Ordinance ("**CPO**") (Cap. 219 of the Laws of Hong Kong));

(v) *disposition after commencement of compulsory liquidation*—any such dispositions are void unless the court otherwise orders (section 182 of the CWUMPO); and

(vi) *destruction or falsification of books and records*—directors and officers may be charged for the intentional destruction, mutilation, alteration or falsification of books and records of a company conducted either before or after the commencement of liquidation (section 272 of the CWUMPO).

Pursuant to Section 264B of the CWUMPO, a court of Hong Kong may also, on the application of the liquidator, set aside the whole or part of the Hong Kong company's obligations (and make other orders) with respect to a transaction for, or involving, the provision of credit to the Hong Kong company if that transaction is or was extortionate and was entered into in the period of three years ending on the date of the special resolution that resolved that the Hong Kong company be wound up, the date of the winding-up order or the commencement of the voluntary winding-up, as applicable.

The enforcement of a guarantee may also be limited by applicable bankruptcy, insolvency, reorganization, moratorium, limitation of actions or other similar laws relating to the enforcement of creditors' rights generally.

Priority of Claims in a Hong Kong Liquidation

Hong Kong insolvency laws are more favorable to secured creditors than to debtors and unsecured creditors who are afforded only limited protection from enforcement by secured creditors. In the event of liquidation under Hong Kong law, assets securing indebtedness may only be used to satisfy the liabilities of the Hong Kong company to its unsecured creditors after payment of all relevant secured indebtedness and after payment of all claims entitled to priority under Hong Kong insolvency law.

Currently, these debts entitled to priority include, among others:

(i) certain amounts owed to the Hong Kong government (including any applicable taxes); and

(ii) certain amounts owed to employees.

Furthermore, all expenses (including the liquidator's remuneration) properly incurred in a winding-up are also payable out of the Hong Kong company's assets in priority to all other unsecured claims.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application has been made for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, in accordance with the rules and regulations of the Irish Stock Exchange.

Irish Listing Information

So long as the Notes are listed on the Official List of the Irish Stock Exchange and are admitted to trading on the Global Exchange Market of that exchange and the rules and regulations of the Irish Stock Exchange so require, the Company will publish or make available any notices (including financial notices) to the public in written form at places indicated by announcements to be published in a leading newspaper having a general circulation in Ireland (which is expected to be the *Irish Times*) or on the website of the Irish Stock Exchange (*www.ise.ie*) or by any other means considered equivalent by the Irish Stock Exchange.

For so long as the Notes are listed on the Official List of the Irish Stock Exchange and are admitted to trading on the Global Exchange Market of that exchange and the rules and regulations of the Irish Stock Exchange so require, electronic copies of the following documents may be inspected and obtained free of charge at the registered office of the Company and at the registered offices of each of the Guarantors, during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded):

- the organizational documents of the Company and each of the Guarantors;
- the financial statements included in this Offering Memorandum;
- the annual and interim financial statements required to be provided under the captions "*Description of the Notes—Reports*";
- the Indenture (which includes the Note Guarantees and the form of the Notes); and
- other material agreements described in this Offering Memorandum as to which we specify that copies thereof will be made available.

The Company has named Deutsche Bank Luxembourg S.A. as Transfer Agent, Registrar and Irish Listing Agent and Deutsche Bank AG, London Branch as Paying Agent. The Company reserves the right to vary such appointments in accordance with the terms of the Indenture and, if so required by the internal rules and regulations of the Irish Stock Exchange, will publish a notice of such change of appointment in a newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or on the official website of the Irish Stock Exchange (*www.ise.ie*) or by any other means considered equivalent by the Irish Stock Exchange.

The Company accepts responsibility for the information contained in this Offering Memorandum. To the Company's best knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been published.

The expenses related to the admission of the Notes to the Global Exchange Market of the Irish Stock Exchange are expected to be approximately €5,041 (excluding VAT and disbursements).

Clearing Information

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 107459634 and 107464301, respectively. The ISIN for the Notes sold pursuant to Regulation S is XS1074596344 and the ISIN for the Notes sold pursuant to Rule 144A is XS1074643013.

Company Legal Information

Officine Maccaferri S.p.A. (the "**Company**") is a direct wholly-owned subsidiary of SECI S.p.A. ("**SECI**"). It was incorporated as a joint stock company (*società per azioni*) under the laws of Italy on May 25, 1920. It is registered with the Register of Companies of Bologna (*Registro delle Imprese di Bologna*) under the number 00795700152 with registered office at Via J.F. Kennedy, 10, 40069, Zola Predosa (BO), Italy. The

Company's incorporation will terminate on December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation. As of the date of this Offering Memorandum, the Company had a fully paid-up share capital of €33,400,000.00 consisting of 417,500 ordinary shares without par value, 100% of which are held by SECI.

Pursuant to Article 2 of its charter (*statuto*), the Company's corporate purpose is: (i) the manufacture and sale of products derived from wire rod, (ii) mechanical manufacturing and (iii) the research, production, sale and eventual installation, on the Italian and foreign markets, of gabions or other protective measures for rivers, lagoons, oceans, mountains and roads.

The Company's issuance of the Notes has been authorized by the Company's Board of Directors on May 22, 2014.

Guarantor Legal Information

Brazil

BMD Texteis Ltda.

BMD Texteis Ltda. is a legal entity of private law, with a business address at Rua dos Plásticos, number 871, Area Industrial Leste do COPEC, in the city of Camaçari, Bahia State, Zip Code 42810-240, enrolled with the CNPJ under number 03.156.784/0001-30 and registered in the Board commercial Bahia State JUCEB under the NIRE 29.202.088.680, filed on May 15, 1999. BMD Texteis Ltda. is a company of limited liability, and will operate for an indeterminate term. According to Article 3 of the social contract (statute) of BMD Texteis Ltda., its corporate purposes are to: manufacture knitting fabrics; produce gabions, wire mesh, wire, metal and synthetic fibers and geosynthetics; industrialize synthetic and textile fabrics and reinforced laminates; sell the aforementioned products; import and resell these products in domestic and foreign markets; import and export industrial machinery; market products for construction; and participate in other companies by acquiring shares or stock. The quota capital of BMD Texteis Ltda. is 19,928,243.95 Brazilian Reais duly paid, divided into 21,428,218 quotas with a par value of 0.93 Brazilian Reais each.

Maccaferri do Brasil Ltda.

Maccaferri do Brasil Ltda., is a legal entity of private law and limited liability, with business address at José Benassi Avenue, number 2601, Ala 1, District Industrial Fazgran, Zip Code 13213-085, in the City and County of Jundiaí, São Paulo State, Brazil, enrolled with the CNPJ under number. 43.876.960/0001-22, and inscribed in the Board Commercial of the State of São Paulo, with NIRE 35.200.947.027, filed on March 7, 1974. Maccaferri do Brasil Ltda. is a company of limited liability, and will operate for an indeterminate term. According to Article 3 of the social contract (statute) of Maccaferri do Brasil Ltda., its corporate purposes and activities are: industry, commerce (including imports and exports) provision, planning and/or manufacture, of window frames, railings, structures of iron and steel, mesh screens (i.e., gabions), geosynthetics and plastic artifacts, projects, advisory services, civil engineering and construction services and assembly of machinery and industrial equipment. The quota capital of Maccaferri do Brasil Ltda. is 52,290,040.00 Brazilian Reais duly paid, divided into 52,290,040 quotas with a par value of $1.00 Brazilian Reis each.

Russia

Maccaferri Gabions CIS was formed on October 21, 1999 as a limited liability company (*obshestvo s ogranichennoy otvetstvennost'u*) under the laws of the Russian Federation. Maccaferri Gabions CIS is registered in the Unified State Register of Legal Entities in the Russian Federation under primary state registration number (OGRN) 1027700091231. The registered address of Maccaferri Gabions CIS is 7, Mel'nikova Street, Moscow, 109044, the Russian Federation. According to Article 3 of the charter of Maccaferri Gabions CIS, its incorporation is perpetual. According to Article 6 of the charter of Maccaferri Gabions CIS, its corporate purpose is to, amongst other things: produce metal lath and metal wire with zinc surface, polyvinylchloride surface or without surface; retail and warehouse trade and purchase; produce construction materials; provide transportations services; engage in project and landscape design; conduct all other lawful purposes. The charter capital of Maccaferri Gabions CIS is RUB181,728,692.

England and Wales

Linear Composites Limited is a limited liability company and was incorporated in England and Wales with the Registrar of Companies for England and Wales under the company number 02380921 on 8 May 1989. Linear

Composites Limited's registered address is c/o Maccaferri Ltd, 7600 The Quorum, Alec Issigonis Way, Oxford Business Park North, Oxford, OX4 2JZ, United Kingdom. Linear Composites Limited's directors are Mr. Timothy John Balderson, Mr. Marco Finelli, Mr. Stephen James Miller, Mr. Luigi Penzo and Mr. Matthew Andrew Stephen Showan. The share capital of Linear Composites Limited has a nominal value of £2.00, divided into two ordinary shares held by Maccaferri Ltd.

The Slovak Republic

Maccaferri Central Europe s.r.o. is a limited liability company incorporated under Slovak law on May 11, 2005 by registration in the Commercial Register of the District Court Trenčín. Maccaferri Central Europe s.r.o. is established for an indefinite period of time. The registered seat of Maccaferri Central Europe s.r.o. is Štverník 662, 906 13 Brezová pod Bradlom, Slovak Republic and its Identification No. is 36 271 501. The Executive ("*konatel*") of Maccaferri Central Europe s.r.o. is Mr. Antonio Canfora. The company is registered in the Commercial Register of the District Court Trenčín, Section: Sro, Insert No.: 18905/R. The registered capital of the company is in the amount of €1,040,132 and is fully-paid up.

France

France Maccaferri S.A.S. was formed on October 16, 2000 as a *société par actions simplifée* (*société à associé unique*) under the laws of France. France Maccaferri S.A.S. is registered in the commercial register of Romans-sur-Isère (*Registre du commerce et des sociétés de Romans*) under registration number 339 237 794. The registered address of France Maccaferri S.A.S. is 8, rue Pierre Méchain—Plataeu de Lautagne boîte postale 8, 26001 Valence, France. France Maccaferri S.A.S.'s incorporation will terminate on October 29, 2085, subject to certain amendments being made to its bylaws to extent the period of its incorporation. According to Article 3 of the bylaws (*statut*) of France Maccaferri S.A.S., its corporate purpose is to: commercialize, produce and install gabions and other irrigation structures; undertake the manufacture, excavation and construction of public and private related engineering works; all other lawful purposes related to achieving its corporate purpose. The share capital of France Maccaferri S.A.S. is €1,500,000 divided into 128,000 ordinary shares with no par value.

Malaysia

Maccaferri (Malaysia) Sdn Bhd is a limited liability company incorporated in Malaysia on February 9, 1993 under registration number 257846-U. The registered address of Maccaferri (Malaysia) Sdn Bhd is Lot 14, Persiaran Bunga Tanjung 2, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan, Malaysia. The nature of business of Maccaferri (Malaysia) Sdn Bhd is: manufacturing and trading of steel wires meshes and geosynthetics products. The authorized share capital of Maccaferri (Malaysia) Sdn Bhd is RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each and the current issued and paid up share capital is RM7,620,000.

Bolivia

Maccaferri de Bolivia Ltda. was incorporated on January 6, 2000 as a limited liability company under the laws of Bolivia. Maccaferri de Bolivia Ltda. is registered before the Registry of Commerce of Bolivia under registration number 00010629, with registered address in Cotoca, Zona Campanero Km. 33, Santa Cruz, Bolivia. Maccaferri de Bolivia Ltda.'s incorporation will terminate on January 26, 2050, subject to certain amendments being made to its Articles of Incorporation to extend such period. According to Article 3 of the Articles of Incorporation of Maccaferri de Bolivia Ltda., its corporate purpose is to: commercialize, manufacture and import, by itself or through third parties, of all kinds of products; provide technical assistance and promotion of all kinds of products; assume representation, agencies, commissions and injunctions of all kinds; create, finance, promote and manage any kind of business, by itself or through third parties, companies or partnerships; incorporate and constitute associations or companies of any nature or participate in any form or acquire rights in them, and assume the representation and management of such companies; and undertake all kinds of acts, contracts or business directly or indirectly related to the company. The share capital of Maccaferri Bolivia Ltda. is Bs. 18,290,200 divided into 182.902 capital quotas.

Mexico

Maccaferri de Mexico, S.A. de C.V. was formed on August 10, 2000 as a variable stock company (*sociedad anonima de capital variable*), under the laws of Mexico. Maccaferri de Mexico, S.A. de C.V. is registered in the Commercial Register of Queretaro, Queretaro, Mexico (*Registro Publico de Comercio de Queretaro, Queretaro*)

under Registration number 7573. The registered address of Maccaferri de Mexico, S.A. de C.V. is Avenida San Pedrito 119, Parque Industrial Queretaro, Santa Rosa Jauregui, 76220, Santiago de Queretaro, Queretaro, Mexico. Maccaferri de Mexico, S.A. de C.V. has established into its bylaws a duration of 99 years and will terminate on August 9, 2099, subject to certain amendments being made to its bylaws to extend the period of its incorporation. According to Clause 2 of the bylaws of Maccaferri de Mexico, S.A. de C.V., its corporate purpose is to: purchase, sell, rent and manage real estate, projects, architectural designs and construct various types of works, be they public or private, maritime or land, commercial or residential, and, in general, execute any work of engineering and architecture, as well as the development and delivery of computer services to the construction area; in addition, the manufacture, distribution, promotion and sale of materials to be used in civil and military works, both maritime and land, including but not limited to agriculture projects, asphalt reinforcement, stabilization of foundations, alignment and protection of channels, retaining walls, filling earth, drains, walls, erosion control, reinforcement of slopes and walls, retaining walls, control of sediment and basement and stabilization of roads and railways to institutions both domestic and foreign. The share capital of Maccaferri de Mexico, S.A. de C.V. is 27,369,496 Mexican Pesos, divided into 54,738 ordinary shares each with nominal value of 500.00 Mexican Pesos.

Hong Kong

Maccaferri China (Hong Kong) Co., Limited was incorporated on July 21, 2005 as a private company limited by shares under the laws of Hong Kong. Maccaferri China (Hong Kong) Co., Limited is registered at the Hong Kong Companies Registry under registration number 0984600. The registered address of Maccaferri China (Hong Kong) Co., Limited is 12 Floor, AT Tower, No. 180 Electric Road, North Point, Hong Kong. The issued share capital of Maccaferri China (Hong Kong) Co., Limited is HK$16,599,800 divided into 16,599,800 ordinary shares.

Maccaferri Asia Limited was incorporated on November 15, 2010 as a private company limited by shares under the laws of Hong Kong. Maccaferri Asia Limited is registered at the Hong Kong Companies Registry under registration number 1528335. The registered address of Maccaferri Asia Limited is Flat 01, 2/F, On Ning Building, 425-431 King’s Road, North Point, Hong Kong. The issued share capital of Maccaferri Asia Limited is HK$109,280,000.00 divided into 109,280,000 ordinary shares.

Guarantor Group Financial Information

For the twelve months ended and as at March 31, 2014, the Guarantors represented approximately 36.0% of our total revenue, approximately 46.3% of our consolidated EBITDA and approximately 32.1% of our consolidated assets, respectively.

General

Except as disclosed in this Offering Memorandum:

- there has not been a significant change in the financial or trading position of the Issuer or the Group since March 31, 2014;
- we are not aware of any interest, including conflicting interests, that are material to the issuance of the Notes;
- there has been no material adverse change in the Company’s financial position or prospects since December 31, 2013 or in any Guarantor’s financial position or prospects since December 31, 2013; and
- Neither the Company, and as far as the Company is aware, any Guarantor or any of their subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in the Offering Memorandum, and, so far as the Company and the Guarantors are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

Officine Maccaferri and Subsidiaries

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OFFICINE MACCAFERRI S.P.A.

Unaudited interim condensed consolidated

financial statements

as of and for the three months ended

31 March 2014

OFFICINE MACCAFERRI S.P.A.

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

In thousand of Euro	Notes	As of March 31, 2014	As of December 31, 2013
Intangible assets	**6**	19,116	19,210
of which goodwill	**6**	*14,427*	*14,381*
Property, plant and equipment	**7**	118,321	118,414
Investment in subsidiaries, associates, joint ventures and other companies	**8**	1,623	1,639
Other non-current assets	**9**	14,948	13,338
of which deferred tax assets	**9**	*13,683*	*12,421*
Total non-current assets		**154,008**	**152,601**
Cash and cash equivalents	**10**	20,313	22,823
Other current financial assets	**11**	34,279	33,713
Trade receivables	**12**	100,634	101,301
Inventories	**13**	98,239	87,282
Current tax receivables	**14**	8,439	8,437
Other current non-financial assets	**15**	11,541	10,780
Total current assets		**273,445**	**264,336**
Total assets		**427,453**	**416,937**
Shareholders' equity and liabilities			
Share capital	**16**	33,400	33,400
Reserves	**16**	71,178	66,835
Net losses for the period	**16**	(1,541)	4,025
Equity attributable to equity holders of the parent		**103,037**	**104,260**
Equity attributable to non-controlling interests		30,816	30,845
Total shareholders' equity		**133,853**	**135,105**
Non-current portion of banks loans and other financial liabilities	**17**	54,578	64,741
Non-current bonds		0	0
Employees' termination indemnity	**18**	2,436	2,481
Provisions for risks and charges	**19**	8,820	8,367
Deferred tax liabilities	**20**	5,161	4,834
Total non-current liabilities		**70,995**	**80,423**
Current portion of banks loans and other financial liabilities	**17**	115,381	82,728
Advance from customers	**21**	2,511	2,517
Trade payables	**21**	64,996	62,861
Current tax payables	**22**	5,116	6,142
Other current non-financial liabilities	**23**	34,600	47,161
Total current liabilities		**222,604**	**201,409**
Total liabilities		**293,599**	**281,832**
Total shareholders' equity and liabilities		**427,452**	**416,937**

OFFICINE MACCAFERRI S.P.A.

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENT

In thousand of Euro	Notes	For the three month period ended March 31, 2014	2013
Revenue from sales and services	**24**	91,324	90,642
Other revenue	**25**	7,358	4,631
Total revenue		**98,682**	**95,273**
Costs of materials and consumables	**26**	(52,769)	(51,247)
Costs of services and use of third party assets	**27**	(21,116)	(22,796)
Costs of personnel	**28**	(17,874)	(18,565)
Other operating costs	**29**	(530)	(719)
Amortization, depreciation and write downs	**30**	(4,451)	(4,797)
Accrual to provision for risks and charges		(197)	(153)
Total Operating costs		**(96,937)**	**(98,277)**
Operating income		**1,745**	**(3,004)**
Financial income	**31**	610	229
Financial expenses	**31**	(3,208)	(3,027)
Gains/(losses) on exchange rate	**31**	(278)	335
Net expenses and losses from financial activities		**(2,876)**	**(2,463)**
Net non-recurring expenses and charges	**32**	**(287)**	**(1,639)**
Losses before taxes		**(1,418)**	**(7,106)**
(Income taxes)/tax benefit	**33**	(234)	314
Net losses for the period		**(1,652)**	**(6,792)**
Attributable to non-controlling interests		111	139
Attributable to equity holders of the parent		(1,541)	(6,653)

OFFICINE MACCAFERRI S.P.A.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousand of Euro	Share capital	Reserves	Current year results	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total Shareholders' equity
As at 1 January 2014	**33,400**	**66,836**	**4,025**	**104,261**	**30,845**	**135,106**
Allocation of prior year results		4,025	(4,025)	0		0
Movements deriving from consolidation process		317		317	83	400
Net losses for the period			(1,541)	(1,541)	(111)	(1,652)
As at 31 March 2014	**33,400**	**71,178**	**(1,541)**	**103,037**	**30,817**	**133,854**

OFFICINE MACCAFERRI S.P.A.

UNAUDITED INTERIM CONSOLIDATED CASH FLOW STATEMENT

In thousand of Euro	Three month period ended as of March 31, 2014	2013
Net losses for the period	**(1,652)**	**(6,792)**
Amortization, depreciation and write downs	4,451	4,797
Accrual of provision for risks and charges	796	867
Accrual of employees' termination indemnity	149	171
Decrease/(increase) of inventories	(10,957)	(15,429)
Decrease/(increase) of trade receivables	(546)	11,504
Increase/(decrease) of trade payables and advances from customer	2,129	(8,259)
Decrease/(increase) of other operating assets and liabilities, including deferred tax assets and liabilities	(15,535)	(17,184)
Payment of employees' termination indemnity	(194)	(154)
Utilization and reversal of provision for risks and charges	(438)	(949)
Net cash flow from operating activities	**(21,797)**	**(31,428)**
Investments in property, plant, equipment and intangible assets	(2,665)	(11,173)
Decrease of property, plant, equipment and intangible assets	124	3,341
Net change in investments	16	(150)
Net cash flow used in investing activities	**(2,525)**	**(7,982)**
Net proceeds from/(reimbursement of) borrowings	22,490	26,231
Net decrease/(increase) in short term financial assets	(566)	5,500
Capital increase	0	1,894
Net cash flow from/(used in) financing activities	**21,924**	**33,625**
Net effect of foreign currencies exchange rate variation and other changes	(112)	1,074
Change in cash and cash equivalent	**(2,510)**	**(4,711)**
Cash and cash equivalent at the beginning of the period	**22,823**	**19,462**
Changes in cash and cash equivalent	(2,510)	(4,711)
Cash and cash equivalent at the end of the period	**20,313**	**14,751**

OFFICINE MACCAFERRI S.P.A.

EXPLANATORY NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTRODUCTION

History

Officine Maccaferri S.p.A. (the "Company" or the "Parent Company") is the largest company in the Officine Maccaferri Group (the "OM Group" or the "Group"), active in the civil engineering sector. The Maccaferri family founded our company near Bologna, Italy in 1879 and has remained our controlling shareholder for over 130 years. Today, through a combination of organic growth and successful integration of bolt-on acquisitions, we now operate in more than 100 countries on five continents, with 31 production facilities and 2,838 employees (as of December 31, 2013).

The most recent phase of our history has been marked by growth aimed at expanding our business internationally and diversifying our product offerings. We have achieved this, in part, through research and development of new products and organic growth into new markets. We also recognized the opportunities of expanding into emerging markets where governments have invested significantly in infrastructure development and are likely to continue to do so in the future. We have expanded into emerging markets both by opening new Officine Maccaferri offices in those markets as well as through targeted acquisitions of other established companies in those markets that enable us to expand our product offerings and areas of expertise without straying from our core market strength.

Products

We offer over 60 different product lines, which we generally divide into four categories: double twist mesh, geosynthetics, rockfall protection and snow net structures and other products. These products can be offered individually to help customers and end-users meet their needs, but our true strength lies in provision of products package which aims at rendering "integrated solution" to every facet of a customer's engineering challenge.

Double-twist mesh

Our double twist mesh products are used in retaining structures, erosion protection, slope stabilization, pavement reinforcement and rockfall mitigation. These products have applications in end markets including mining, infrastructure, environmental protection, hydraulic and coastal works.

Geosynthetics

Our geosynthetics are polymeric products manufactured in various forms and used to reinforce soils, protect exposed areas from the erosive effects of rainfall and wind, waterproof reservoirs and provide safe, impermeable barriers and draining systems for landfills and other soil contaminators. These products are applied in end-markets including mining, infrastructure, urban infrastructure, environmental protection and marine and coastal works.

Rockfall protection and Snow net structures

Our rockfall protection and snow net structures are light-weight, high-performance flexible wire mesh catch fences, barriers, and soil nailing systems that are installed to protect assets, roads and people from rockfalls, avalanches, debris flows or other hydro-geotechnical hazards. They are applied in end-markets that include mining, civil infrastructure and urban infrastructure.

Other products and services

Our other products and services include tunneling solutions, vertical concrete retaining walls, project-specific construction and engineering services.

Significant events pertaining to the Group's business activities

The reporting period ended March 31, 2014 was characterized by the followings significant events:

- During the first quarter of 2014, Officine Maccaferri S.p.A. purchased a further 5% of the share capital of Elas Geotecnica S.r.l. for a price equal to Euro 312.3 thousand. As of December 31, 2013 Officine Maccaferri S.p.A. owned 75% of the share capital of the subsidiary, therefore the Group now holds the 80% of its share capital.

Effect of seasonality on Group's operations

Group's operations are affected by a seasonality which show its peak in operations in the months from May to October where the customers, mainly affected by weather conditions of the area in which operates, concentrate the development of their projects. This seasonality is only partially compensated by the wide geographical distribution of the Group. Therefore the first four months of the year shows a lower volume of revenues and, consequently, of margins as compared to those normally achieved during the remaining part of the year. It should be noted that for this reason the current period results may not be fully representative of the business volumes and margins that will be developed throughout the year.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements as of and for the three month period ended March, 31 2014 comprises of the consolidated balance sheet, the consolidated income statement, statement of changes in consolidated shareholders' equity, consolidated statement of cash flow and the condensed explanatory notes and have been prepared pursuant to the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statements, and the h OIC 30 "Interim Financial Statements", as interpreted by and integrated with the accounting principles established by the "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" (the "Italian accounting profession"). Such rules, together with the various principles, pronouncements and interpretations of the Italian accounting profession, are collectively referred to as Italian Generally Accepted Accounting Principles ("Italian GAAP").

These interim condensed consolidated financial statements have been prepared , solely for the purposes of their inclusion in the Offering Memorandum prepared by the Company for the issuance and the admission of ordinary notes to the Irish Stock Exchange and the level of disclosure should be considered extraordinary and non-repeatable in relation to the interim reports for subsequent periods.

They have been prepared in Euro and all values are rounded to the nearest thousand Euro, unless otherwise indicated, furthermore the interim condensed consolidated financial statements presented herein have been presented classified as described below solely for the purposes of their inclusion in the Offering Memorandum:

- consolidated balance sheet presented herein classifies assets and liabilities on the basis of their liquidity, where (i) non-current assets comprise those assets realizable after twelve month from the date and include mainly property, plant and equipment, intangible assets and investments; (ii) current assets comprise those assets realizable within twelve month from the reporting date; (iii) non-current liabilities comprise the payables due after twelve month from the reporting date, including financial liabilities, provisions for risks and charges and employee termination indemnities; and (iv) current liabilities comprise the payables due within twelve month of the reporting date, including the current portion of medium and long term loans, provisions for risks and charges and of employee termination indemnities;
- consolidated income statement classifies costs by nature. Furthermore in accordance with the Italian GAAP the income statement separates the recurring income and expenses from the non-recurring income and expenses;
- consolidated statements of cash flows have been prepared on the basis of the indirect method distinguishing between cash flows from operating, investing and financing activities.

3. CONSOLIDATION AREA AND BASIS OF CONSOLIDATION

Basis of consolidation

The main consolidation criteria, consistently applied over the period described herein, are as follows:

- the carrying amount of investments in consolidated companies is eliminated against the corresponding assets and liabilities of subsidiaries, positive differences are allocated, where possible, to the subsidiaries' assets. Any non-attributable residual amount, calculated at the date of acquisition, represents goodwill (the excess of the price paid over the fair value of the net assets acquired) and is recognized as intangible asset and amortized over its estimated useful life;
- all payables, receivables, revenue and costs, including any unrealized profits and losses, deriving from transactions between companies included in the consolidation area are eliminated; the balance sheets of

foreign subsidiaries expressed in currencies other than the Euro are converted at period-end exchange rates, and their revenue and expenses at the average exchange rates of the period. Exchange differences between the initial conversion of the net assets and the net assets translated using the period-end exchange rates, and differences between average exchange rates and period-end exchange rates for the income statement are accounted to "currency translation reserve".

Foreign exchange rates used for the conversion of interim condensed financial statements as of and for the three month ended March 31, 2014 were the following:

	Balance sheet		Income Statement	
Currency	As of March 31, 2014	As of December 31, 2013	Average exchange rate for the three month period ended March 31, 2014	Average exchange rate for the three month period ended March 31, 2013
AED	5.0643	5.06539	5.0309	4.878
ALL	140.171	140.53	140.3567	140.297
ARS	11.0347	8.9891	10.4366	7.277
BOB	9.5275	9.52958	9.4647	9.211
BRL	3.1276	3.2576	3.2402	2.869
BWP	12.124	12.0343	12.2116	11.156
CAD	1.5225	1.4671	1.511	1.368
COP	2711.93	2664.42	2749.453	2483.37
CRC	752.469	690.426	710.8507	665.004
GBP	0.8282	0.8337	0.8278	0.849255
GTQ	10.6548	10.8156	10.6591	10.4407
HKD	10.6973	10.6933	10.6294	10.302
HUF	307.18	297.04	308.0543	296.873
INR	82.5784	85.366	84.5864	77.93
KGS	75.134	67.8901	71.2162	64.3337
KRW	1465.98	1450.93	1465.48	1453.91
MXN	18.0147	18.0731	18.1324	16.964
MYR	4.4976	4.5221	4.5187	4.18551
NGR	227.374	220.89	223.201	211.551
NPR	135.522	135.552	134.6287	124.239
PEN	3.8733	3.85865	3.8483	3.5918
PHP	61.726	61.289	61.4675	56.428
PLN	4.1719	4.1543	4.1842	4.19749
RMB	8.5754	8.3491	8.3587	8.165
RON	4.4592	4.471	4.5019	4.41899
RSD	115.561	114.791	115.6783	113.087
RUB	48.78	45.325	48.0778	42.337
SAR	5.171	5.17242	5.1369	4.981
TYR	2.9693	2.961	3.037	2.53354
USD	1.3788	1.3791	1.36971	1.32812
VEB	8.6756	8.6774	8.6183	8.00117
ZAR	14.5875	14.566	14.8892	12.833
HUF		297.04		297.04

Consolidation Area

The interim condensed consolidated financial statements include the financial statement of the Parent company and those of the entities included in the consolidation area. The reporting date is March 31, 2014; there are no differences in the closing dates of the financial statements of the companies belonging to the Group. The entities consolidated using the line-by-line method as of March 31, 2014 are the followings:

March 31, 2014

Name	*Headquartes*	*Share capital*		Shareholding quota	
				Direct	*Indirect*
- A. Bianchini Ingeniero S.A.	Spain	€	6,500,000	53.957	
- Bianchini Unipessoal LDA	Portugal	€	10,000		53.957
- BMD Texteis Ltda	Brazil	BRL	19,928,243		99.955
- Clean Air Inc	USA	USD	1,300,000	100	
- Consorzio Maccaferri Progetto Venezia	Italy	€	10,000	76.12	
- Double Twist Products Pty Ltd	Botswana	BWP	3,796,000	70	
- Elas Geotecnica Srl	Italy	€	100,000	80	
- Epitropic Fibres Ltd	United Kingdom	GBP	1		100
- Fator Ambiental Ltda	Brazil	BRL	1,087,000		99.955
- Land Rehabilitation Systems Pty Ltd	South Africa	ZAR	1,000		70
- Linear Composites Ltd.	United Kingdom	GBP	2		100
- Maccaferri de Argentina S.A	Argentina	ARS	4,268,998	98	0.2
- Maccaferri Nepal PVT LTD	Nepal	NPR	70,196,000	70	
- Maccaferri (Changsha) Enviro-tech Co. Ltd	China	CNY	16,626,246		80
- Maccaferri (IRL) Ltd.	Ireland	€	1		100
- Maccaferri (Malaysia) SDN BHD	Malaysia	MYR	7,620,000	100	
- Maccaferri (Tianjin) Enviro-tech Co. Ltd	China	CNY	30,707,812		46.024
- Maccaferri (Tianjin) Fibers Co. Ltd.	China	CNY	52,329,975		57.53
- Maccaferri (Tianjin) Geosyntetics Co. Ltd.	China	CNY	12,673,886		57.53
- Maccaferri Asia Ltd.	China	HKD	109,280,000	57.53	
- Maccaferri b.v.b.a.	Belgium	€	100,000	99.9	0.1
- Maccaferri Balkans Sh. P.K.	Albania	ALL	306,000,000	51	
- Maccaferri Canada LTD	Canada	CAD	2,262,125		100
- Maccaferri Central Europe S.RO.	Slovakia	€	1,040,132	100	
- Maccaferri China (Hong Kong)	China	HKD	165,995,800	80	
- Maccaferri Construction Ltd	United Kingdom	GBP	2		100
- Maccaferri Construction S.A. C.	Peru	PEN	500,000		100
- Maccaferri de Bolivia LTDA	Bolivia	BOB	18,290,200	99.999	
- Maccaferri de Centro America Ltda	Costarica	CRC	772,500	100	
- Maccaferri de Colombia Ltda	Colombia	COP	441,049,820		100
- Maccaferri de Ecuador	Ecuador	USD	95,000		100
- Maccaferri de El Salvador S. A. de C.V.	El Salvador	USD	102,000		100
- Maccaferri de Guatemala S.A.	Guatemala	GTQ	702,986		100
- Maccaferri de Mexico S.A. De C.V.	Mexico	MXN	27,369,496	99.998	0.002
- Maccaferri de Panama S.A.	Panama	USD	10,000		100
- Maccaferri de Perù S.A.C.	Peru	PEN	2,774,348	75	
- Maccaferri de Venezuela S.A	Venezuela	VEF	221,374	100	
- Maccaferri Deutscheland Gmbh	Germany	€	200,000		100
- Maccaferri do Brasil Holding Partecipacoes Empresariais e Imobiliarias LTDA	Brazil	BRL	19,410,000	51.126	
- Maccaferri do Brasil Incorporacoes Imobiliarias Ltda	Brazil	BRL	2,937,691	99.955	
- Maccaferri do Brasil Ltda	Brazil	BRL	52,290,040	99.955	
- Maccaferri Environmental Solution D.O.O.	Serbia	RSD	16,649,997	100	

Name	Headquartes	Share capital		Shareholding quota Direct	Indirect
- Maccaferri Environmental Solutions PVT Ltd	India	INR	629,682,100	100	
- Maccaferri Gabions CIS	Russia	RUB	181,728,692	54.66	
- Maccaferri Gabions Central Asia	Kirghizistan	KGS	450,000		54.66
- Maccaferri Hellas Sole Partner LLC.	Greece	€	330,000	100	
- Maccaferri Inc.	USA	USD	8,813,725	100	
- Maccaferri Indonesia P.T.	Indonesia	USD	4,000,000	80	
- Maccaferri Industria e Comercio de Artefatos Plasticos Ltda	Brazil	BRL	11,920,800		30.676
- Maccaferri LTD	United Kingdom	GBP	1,020,000	100	
- Maccaferri Magyarorszag Kft	Hungary	HUF	21,000,000		100
- Maccaferri Middle East LLC	United Arab Emirates	AED	300,000	49	
- Maccaferri Philippine Manufacturing Inc.	Philippines	PHP	148,254,001	53.701	
- Maccaferri Philippines Inc.	Philippines	PHP	25,000,000	75	
- Maccaferri Polska Sp Z.O.O.	Poland	PLN	90,000		100
- Maccaferri Romania Srl	Romania	RON	500,000		65
- Maccaferri SA PTY LTD	South Africa	ZAR	58,207,900	56.2	
- Maccaferri Servicios S.A. de C.V.	Mexico	MXN	50,000	99.8	0.2
- Macservice Servicios de Enghenharia LTDA	Brazil	BRL	1,936,998	0.121	99.834
- Officine Maccaferri Nigeria Ltd.	Nigeria	NGN	40,000,000	100	
- Officine Maccaferri S.p.A.	Italy				—
- Partecipazione a mezzo SIFIR S.r.l	Italy	€	119,000	80	
- Partecipazione tramite SIFIR S.r.l	France	€	37,000	80	
- Partecipazione tramite SIFIR S.r.l	France	€	64,000		80
- S.A.S. France Maccaferri	France	€	1,500,000	100	
- Santos Mouta Porto Ltda	Portugal	€	250,000		53.957
- Servicios de Ingeneria Maccaferri SA	Costarica	CRC	1,000,000		99.995
- SUN-B Maccaferri Co. Ltd	South Korea	KRW	1,865,500,012	50	
- Tekno Maccaferri Cerve Teknolojilieri	Turkey	TRY	6,000,000	50	

March 31, 2013

Name	Headquartes	Share capital		Shareholding quota Direct	Indirect
- A. Bianchini Ingeniero S.A.	Spain	€	6,500,000	53.957	
- BMD Texteis Ltda	Brazil	BRL	19,928,243		99.954
- Clean Air Inc	USA	USD	1,300,000	100	
- Consorzio Maccaferri Progetto Venezia	Italy	€	10,000	76.12	
- Double Twist Products Pty Ltd	Botswana	BWP	3,796,000	70	
- Elas Geotecnica Srl	Italy	€	100,000	55	
- Epitropic Fibres Ltd	United Kingdom	GBP	1	100	
- Fator Ambiental Ltda	Brazil	BRL	1,087,000		99.955
- Geotim Sp Z.O.O.	Poland	PLN	90,000		100
- Land Rehabilitation Systems Pty Ltd	South Africa	ZAR	1,000		70
- Linear Composites Ltd.	United Kingdom	GBP	2		100
- Maccaferri de Argentina S.A	Argentina	ARS	650,000	98	
- Maccaferri Nepal PVT LTD	Nepal	NPR	70,196,000	70	
- Maccaferri (IRL) Ltd.	Ireland	€	1		100
- Maccaferri (Malaysia) SDN BHD	Malaysia	MYR	7,620,000	100	
- Maccaferri (Tianjin) Enviro-Tech Co. Ltd	China	CNY	30,707,812		46.024
- Maccaferri (Tianjin) Fibers Co. Ltd.	China	CNY	52,329,975		57.53
- Maccaferri (Tianjin) Geosyntetics Co. Ltd.	China	CNY	12,673,886		57.53

Name	*Headquartes*	*Share capital*		Shareholding quota	
				Direct	*Indirect*
- Maccaferri Asia Ltd.	China	CNY	109,280,000	57.53	
- Maccaferri b.v.b.a.	Belgium	€	100,000	99.9	0.1
- Maccaferri Balkans Sh. P.K.	Albania	ALL	306,000,000	51	
- Maccaferri Canada LTD	Canada	CAD	2,262,125	100	
- Maccaferri Central Europe S.RO.	Slovakia	€	1,040,132	100	
- Maccaferri Changsha	China	CNY	16,626,246		80
- Maccaferri Construction Ltd	United Kingdom	GBP	2		100
- Maccaferri Construction S.A. C.	Peru	PEN	500,000		100
- Maccaferri de Bolivia LTDA	Bolivia	BOB	7,221,090	99.999	
- Maccaferri de Centro America Ltda	Costarica	CRC	772,500	100	
- Maccaferri de Colombia Ltda	Colombia	COP	441,049,810		99.948
- Maccaferri de Ecuador	Ecuador	USD	5,000		100
- Maccaferri de El Salvador S. A. de C.V.	El Salvador	USD	102,000		100
- Maccaferri de Guatemala S.A.	Guatemala	GTQ	702,986		100
- Maccaferri de Mexico S.A. De C.V.	Mexico	MXN	27,369,496	99.998	0.002
- Maccaferri de Perù S.A.C.	Peru	PEN	2,774,348	75	
- Maccaferri de Venezuela S.A	Venezuela	VEF	221,374	100	
- Maccaferri Deutscheland Gmbh	Germany	€	200,000		100
- Maccaferri do Brasil Holding Partecipacoes Empresariais e Imobiliarias LTDA	Brazil	BRL	19,410,000	51.126	
- Maccaferri do Brasil Incorporacoes Imobiliarias Ltda	Brazil	BRL	24,835,000	80	
- Maccaferri do Brasil Ltda	Brazil	BRL	52,290,040	99.955	
- Maccaferri Environmental Solutions PVT Ltd	India	INR	629,682,100	100	
- Maccaferri Gabions CIS	Russia	RUB	181,728,692	54.66	
- Maccaferri Gabions Central Asia	Kirghizistan	KGS	450,000		100
- Maccaferri Hellas Sole Partner LLC.	Greece	€	330,000	100	
- Maccaferri Hong Kong	China	HKD	165,995,800	80	
- Maccaferri Inc.	USA	USD	8,813,725	100	
- Maccaferri Indonesia P.T.	Indonesia	USD	4,000,000	80	
- Maccaferri Industria e Comercio de Artefatos Plasticos Ltda	Brazil	BRL	6,000,000	0.025	51.113
- Maccaferri LTD	United Kingdom	GBP	1,020,000	100	
- Maccaferri Middle East LLC	United Arab Emirates	AED	300,000	49	
- Maccaferri Philippine Manufacturing Inc.	Philippines	PHP	8,322,000	100	
- Maccaferri Philippines Inc.	Philippines	PHP	8,700,000	75	
- Maccaferri Romania Srl	Romania	RON	500,000		65
- Maccaferri SA PTY LTD	South Africa	ZAR	58,207,900	56.2	
- Maccaferri Servicios S.A. de C.V.	Mexico	MXN	50,000	99.8	0.2
- Macservice Servicios de Enghenharia LTDA	Brazil	BRL	1,236,998	0.121	99.834
- Officine Maccaferri Nigeria Ltd.	Nigeria	NGN	30,491,928	100	
- Officine Maccaferri S.p.A.	Italy				—
- Partecipazione a mezzo SIFIR S.r.l	Italy	€	154,800	80	
- Partecipazione tramite SIFIR S.r.l	France	€	37,000	80	
- Partecipazione tramite SIFIR S.r.l	France	€	64,000		80
- S.A.S. France Maccaferri	France	€	2,000,000	100	
- Santos Mouta Porto Ltda	Portugal	€	250,000		53.957
- Servicios de Ingeneria Maccaferri SA	Costarica	CRC	1,000,000		100
- SUN-B Maccaferri Co. Ltd	South Korea	KRW	1,865,500,012	50	
- Tekno Maccaferri Cerve Teknolojilieri	Turkey	TRY	6,000,000	50	

Variation in the consolidation area

Compared to December 31, 2013 there were no changes in the consolidation area.

Compared to the same period in prior year the changes in the consolidation area were the followings:

- inclusion of the company Bianchini Unipessoal LDA (Portugal) established on April 2013 and which carries out marketing activities for double-torsion and geosynthetics products;
- inclusion of the company Maccaferri Environmental Solution D.O.O. (Serbia) established in the first quarter of 2013 which deals with advertising the double-torsion and geosynthetics products in the local market;
- inclusion of the Company Maccaferri Magyarorszag Kft (Hungary) established on February 2013 and which carries out marketing activities for all the products in the Maccaferri portfolio; and
- inclusion of the Company Maccaferri de Panama S.A. which carries out marketing activities for all products in the Maccaferri portfolio.

4. ACCOUNTING STANDARDS AND POLICIES

Basis of preparation

The accounting standards and policies used by the Company to prepare the interim condensed consolidated financial statements as of for the three month periods ended March 31, 2014 are consistent with those used to prepare the annual consolidated financial statements as of 31 December 2013, 2012 and 2011 to which we refer for a detailed listing of the applied accounting policies.

5. FINANCIAL RISK MANAGEMENT

Exchange rate risk

A significant part of the Group's transactions are in currencies other than Euro. To mitigate the risk the Group entered into some currency forward contracts, and opened currents accounts in currencies other than Euro that the Group aims to hedge. Details on contracts undersigned, including the notional value of currency hedged and the relative fair value at the reporting date are disclosed in the "Memorandum accounts" section.

Credit risk

The Group is exposed to credit risk, especially in Italy, The credit risk is managed through the sale of trade receivable to factoring companies or through specific guarantees received on the supplies delivered. The detail of the trade receivables sold with recourse and not yet collected by the factoring companies at the reporting date are disclosed in the "Memorandum accounts".

The Group minimizes credit risk through controls implemented and constantly monitoring of receivables, with specific personnel dedicated to this matter.

Commodity price risks

The Group is exposed to commodity price risks, mainly in connection with the purchase of steel and its derivatives; to mitigate this risk the Group aims to the optimization of the purchase and the inventory.

Liquidity risk

This risk relates to the Group's ability to meet its obligations arising from financial liabilities. The Group's approach to liquidity management is to ensure adequate funds are always available to cover its obligations at the expiration dates, both in normal conditions and at times of financial difficulty, without incurring borrowing expense at terms higher than market conditions. The Group generally ensures there is sufficient cash and cash equivalents to cover forecast short-term operating expenses, including those related to financial liabilities. Contingent effects following extreme situations that cannot reasonably be forecast, such as natural disasters, are excluded from the above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

The interim condensed consolidated balance sheet as of March 31, 2014 and as of December 31, 2013 are presented below.

6. INTANGIBLE ASSETS

The following table sets forth the breakdown and the movements of the intangible assets as of and for the three month period ended March 31, 2014:

In thousand of Euro	Start up and expansion costs	Development costs	Industrial patent rights and rights to use intellectual properties	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible assets under development and advances	Other	Total intangible assets
Historical costs	894	2,078	246	6,922	19,931	1,217	1,147	32,435
Cumulated Amortization	(742)	(1,320)	(182)	(4,908)	(5,550)	0	(523)	(13,225)
Carrying amount as of 1 January, 2014	**152**	**758**	**64**	**2,014**	**14,381**	**1,217**	**624**	**19,210**
Acquistion and internal constructions	0	32	0	88	318	69	10	517
Disposal	0	0	0	0	0	0	0	0
Reclassification and other movements	0	0	0	175	0	(175)	0	0
Current period amortization	(19)	(81)	(3)	(194)	(272)	0	(38)	(607)
Exchange rate differences	(1)	0	0	(5)	(0)	1	0	(4)
Total current year variation	**(20)**	**(49)**	**(3)**	**65**	**46**	**(105)**	**(28)**	**(94)**
Historical costs	894	2,112	246	7,191	20,249	1,112	1,157	32,959
Cumulated Amortization	(762)	(1,403)	(185)	(5,112)	(5,821)	0	(561)	(13,844)
Carrying amount as of March 31, 2014	**132**	**709**	**61**	**2,079**	**14,427**	**1,112**	**596**	**19,116**

Goodwill

As of March 31, 2014 the goodwill amounted to Euro 14,427 thousand, showing an increase of Euro 46 thousand compared to December 31, 2013 (Euro 14,381 thousand). This increase was due to the Euro 318 thousand goodwill arisen from the acquisition of an additional 5% of Elas Geotecnica s.r.l., partially offset by the amortization of the year for Euro 272 thousand.

Development costs

As of March 31, 2014 development costs amounted to Euro 709 thousand, showing a decrease of Euro 49 thousand compared to December 31, 2013 (Euro 758 thousand), mainly due to the amortization of the year that more than offset the additions.

Concessions, licenses, trademarks and similar rights

Concessions, licenses, trademarks and other similar rights amounted to Euro 2,079 thousand as of March 31, 2014 showing an increase of Euro 65 thousand compared to December 31, 2013 (Euro 2,014 thousand). Such increase was mainly due to the reclassification from assets in progress and advances for Euro 175 thousand, the acquisition of software implementation projects in several companies of the Group for Euro 88 thousand, partially offset by the amortization of the year (Euro 194 thousand).

7. PROPERTY, PLANT AND EQUIPMENT

The following table sets forth the breakdown and the movements of property, plant and equipment as of and for the three month period ended March 31, 2014:

In thousand of Euro	Lands and buildings	Plant and machinery	Indutrial and commercial equipment	Other assets	Assets in progress and advances	Total property, plant and equipment
Historical costs	66,330	103,025	7,104	13,997	3,694	194,150
Cumulated Amortization	(13,634)	(50,104)	(3,312)	(8,686)	0	(75,736)
Carrying amount as of January 1, 2014	**52,696**	**52,921**	**3,792**	**5,311**	**3,694**	**118,414**
Acquistion and internal constructions	92	506	270	228	1,052	2,148
Disposal	0	(14)	0	(15)	(94)	(124)
Reclassification and other movements	0	371	181	(197)	(354)	0
Current period depreciation and write-down	(437)	(1,723)	(95)	(377)	0	(2,632)
Exchange rate differences	348	225	(7)	(19)	(33)	514
Total current period variation	**3**	**(636)**	**349**	**(380)**	**571**	**(94)**
Historical costs	66,789	104,315	7,709	13,814	4,265	196,892
Cumulated Amortization	(14,090)	(52,030)	(3,568)	(8,884)	0	(78,572)
Carrying amount as of March 31, 2014	**52,699**	**52,285**	**4,141**	**4,931**	**4,265**	**118,321**

Land and buildings

As of March 31, 2014 the carrying amount of land and buildings increased slightly mainly due to the combined effect of the following: (i) the positive exchange rate differences, (ii) the Euro 92 thousand additions, mainly related to the buildup of the factory owned by Maccaferri Balkans for the realization of the third DT production line (Euro 60 thousand), and (iii) the depreciation of the period (Euro 437 thousand).

As of March 31, 2014 and December 31, 2013 the land and buildings historical costs Euro 2,852 thousand due to the revaluation made in previous years.

Plant and machinery

As of March 31, 2014 plant and machinery amounted to Euro 52,285 thousand, decreasing by Euro 636 thousand compared to December 31, 2013 (Euro 52,921 thousand). Such decrease was mainly due to the followings: (i) the effect of current year depreciation for Euro 1,723 thousand, (ii) the disposal of assets for Euro 14 thousand, (iii) the additions related to the DT production line and wire extrusion line updates by Maccaferry Central Europe, the purchase of molds made by Maccaferri Limited (UK), and the acquisition for the upgrade of DT 6x8 DT line made by Maccaferri Tianjian Enviro-Tech; (iv) the reclassification from assets in progress and advances for Euro 371 thousand and (v) the positive exchange rates differences.

Assets in progress and advances

As of March 31, 2014 assets in progress and advances amounted to Euro 4,265 thousand, increasing by Euro 571 thousand compared to the December 31, 2013 (Euro 3.694 thousand). Such increase was mainly due to the acquisitions of equipment for Euro 1,052 thousand, mainly related to geomembranes lamination production line and to the DT production line, partially offset by the reclassification for Euro 354 thousand to plant and machinery, the disposals of assets and the negative exchange rate differences.

In the previous years the Group financed the acquisition of some assets under property, plant and equipment through financial lease contracts; the table below sets forth the detail of historical cost, cumulated depreciation and carrying amount of such assets as of March 31, 2014 and as of December 31, 2013:

In thousand of Euro	As of March 31, 2014			As of December 31, 2013		
	Historical costs	**Cumulated depreciation**	**Carrying amount**	**Historical costs**	**Cumulated depreciation**	**Carrying amount**
Lands and buildings	639	(2)	637	713	(15)	697
Plant and machinery	6,868	(2,967)	3,900	6,968	(2,801)	4,166
Other	1,801	(449)	1,352	1,816	(405)	1,411
Total property, plant and equipment under financial lease	**9,308**	**(3,418)**	**5,890**	**9,496**	**(3,221)**	**6,275**

8. INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT-VENTURES AND OTHER COMPANIES

The table below sets forth the details of non-current financial assets as of March 31, 2014 and as of December 31, 2013:

In thousand of Euro	**As of March 31, 2014**	**As of December 31, 2013**
Investment in subsidiaries	333	354
Investment in associates	114	114
Investment in other companies	1,176	1,171
Total Investment in subsidiaries, associates, joint ventures and other companies	**1,623**	**1,639**

Below it is reported the breakdown of investments in subsidiaries, associates, joint ventures and other companies as of March 31, 2014:

	As of March 31, 2014				
		Share capital			
Investment name	**Country**	**Currency**	**Amount in local currency in thousands**	**Ownership percentage**	**Carrying amount in thousands of Euro**
Maccaferri Latvia LLC	Latvia	LVL	21	100.00%	26
Uzbekistan-Russian Joint Venture Maccaferri-Fergana LTD	Uzbekistan	USD	300	51.00%	104
Maccaferri Tunneling s.r.l. (previously High Tech Green s.r.l.)	Italy	Euro	50	100.00%	72
O.E.F. Scarl	Italy	Euro	10	70.00%	7
Maccaferri du Maroc	Morocco	MAD	10	100.00%	3
Maccaferri Kazakhstan LLC	Kazakhstan	KZT	6,200	100.00%	24
Maccaferri Ukraine LLC	Ukraine	UAH	1	100.00%	0
Maccaferri Georgia LLC	Georgia	GEL	30	100.00%	24
Maccaferri Azerbaycan LLC	Azerbaijan	Euro	6	100.00%	5
Mac - k	Belgium	Euro	0	56.00%	0
Maccaferri Tunisie	Sfax (Tunisia)	TND	1,148	100.00%	1
Maccaferri do Caribe SAS	Santo Domingo	RD$	3,810	100.00%	67
Total investments in subsidiaries as of March 31, 2014					**333**
Consorzio Tutela Gabbioni	Italy	Euro	5	25.00%	1
Consorzio Fibre	Italy	Euro	100	38.75%	39
Philippines Gabions Inc.	Philippines	PHP	265	40.00%	0
Infratex Environmental Service Inc.	Philippines	PHP	3,045	40.00%	49
Energoblok a.s.	Slovakia	Euro	315	27.11%	25
Total investments in associates and joint ventures as of March 31, 2014					**114**
Maccaferri New Zealand Pty	New Zealand	AUD	280	15.00%	49
Maccaferri Pty Ltd	Australia	AUD	1,500	15.00%	181
Electrobras (stock)	Brazil	BRL	n.a.	n.a.	124
Banca Popolare di Vicenza (stock)	Italy	Euro	n.a.	n.a.	788
Other		€			34
Total investments in other companies as of March 31, 2014					**1,176**
Maccaferri New Zealand Pty	New Zealand	AUD	280	15.00%	49
Maccaferri Pty Ltd	Australia	AUD	1,500	15.00%	181
Electrobras (stock)	Brasil	BRL	n.a.	n.a.	124
Banca Popolare di Vicenza (stock)	Italy	Euro	n.a.	n.a.	788
Other		€			34
Total investments in other companies as of March 31, 2014					**1,176**

Investments in subsidiaries, associates, joint-ventures and other companies amounted to Euro 1,623 thousand as of March 31, 2014, showing a decrease of Euro 16 thousand compared to December 31, 2013 (Euro 1,639 thousand). This slight decrease was mainly due to the investments in subsidiaries and associates that decreased by Euro 21 thousand, as a consequence of the translation into euro of the investments owned through companies whose the functional currency is other than Euro.

9. OTHER NON-CURRENT ASSETS

The table below sets forth the changes in other non-current assets as of March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Due from SECI	52	52
Due from others	1,213	865
Deferred tax assets	13,683	12,421
Total Other non-current assets	**14,948**	**13,338**

Other non-current assets amounted to Euro 14,948 thousand as of March 31, 2014, showing an increase of Euro 1,610 thousand compared to the December 31, 2013 (Euro 13,338 thousand). Such increase was mainly due to the increase of deferred tax assets for Euro 1,262 thousand, as a consequence of the higher amount recognized in connection with the temporary differences between the carrying amounts of the financial statements items and the corresponding values determined for tax purposes (Euro12,421 thousand as of December 31, 2013) and to the Euro 865 thousand increase of other non-current assets due from others, which mainly include guarantee deposits.

The table below sets forth the detail of the deferred tax assets for the period ended March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Deferred tax assets from time differences between statutory and fiscal financial statements	10,279	9,193
Deferred tax assets from the adjustment to the local financial statements to the accounting principles of the Group	1,279	1,137
Deferred tax assets from time differences of the consolidation inclusions	2,125	2,091
Total deferred tax assets	**13,683**	**12,421**

10. CASH AND CASH EQUIVALENTS

The table below sets forth the breakdown of cash and cash equivalents as of March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Bank accounts and postal deposits	20,194	22,696
Cheques	20	5
Cash on hands	99	122
Total Cash and cash equivalents	**20,313**	**22,823**

In 2014 Cash and Cash equivalents recorded a decrease of Euro 2.510 thousand, from Euro 22,823 thousand as of December 31, 2013 to Euro 20,313 thousand as of March 31, 2014.

11. OTHER CURRENT FINANCIAL ASSETS

The following table sets forth the breakdown of other current financial assets as of March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Other securities	212	26,212
Interest-bearing financial accounts due from SECI	34,067	7,501
Total Other current financial assets	**34,279**	**33,713**

Other current financial assets amounted to Euro 34,279 thousand as of March 31, 2014, showing an increase of Euro 566 thousand compared to December 31, 2013 (Euro 33,713 thousand). Such increase was mainly due to the Euro 26,566 thousand increase of the interest-bearing financial account due from S.E.C.I. S.p.A. ("SECI"), which was partially offset by the settlement of the short term interest bearing financial investment for Euro 26,000 thousand subscribed in 2013.

12. TRADE RECEIVABLES

The following table includes the breakdown of the trade receivables as of March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Trade receivables	118,067	117,464
Trade receivables due from SECI	291	277
Allowance for doubtful accounts	(17,724)	(16,440)
Total Trade receivables	**100,634**	**101,301**

Trade receivables include amounts due from customers arising from sale of goods and services, and are presented in the consolidated financial statements net of the allowance for doubtful accounts. Trade receivables as of March 31, 2014 decreased by Euro 667 thousand from Euro 101,301 thousand as of December 31, 2013 to Euro 100,634 thousand. The decrease was mainly due to the increase of the allowance for doubtful accounts for Euro 1,284 thousand, partially offset by the increase of trade receivables and the increase of trade receivables due from SECI.

The allowance for doubtful accounts as of March 31, 2014 reflected the considerations made by the Group on specific position to align gross receivables value to the estimated recoverable amount. The following table sets forth the movements of the allowance for doubtful accounts occurred in the three month period ended as of March 31, 2014 and for the year ended December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Balance as of January 1,	**16,440**	**14,675**
Accrual	1,213	5,824
Non-recurring accrual	0	500
Utilization	0	(1,454)
Reversal	(85)	(1,883)
Exchange rate adjustment	156	(1,222)
Reclassification		
Balance at the end of the period	**17,724**	**16,440**

As of March 31, 2014, the allowance for doubtful accounts increased by Euro 1,284 thousand, mainly due to the Euro 1,213 thousand accrual due to the Group policies that provide, in connection to the foreign subsidiaries, the accrual of allowances for doubtful account on trade receivables overdue from more than 120 days and the Euro 156 thousand of positive exchange differences, which were partially offset by Euro 85 thousand of releases of the allowance.

13. INVENTORIES

The Group inventories amounted to Euro 98,239 thousand as of March 31, 2014 (Euro 87,282 thousand as of December 31, 2013):

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Raw Materials, secondary materials and consumables	41,171	34,188
Semi-finished goods	2,433	2,357
Work in progress		—
Finished products and goods	52,577	48,413
Advances paid to suppliers for purchase of goods	2,058	2,324
Total Inventories	**98,239**	**87,282**

As of March 31, 2014 the inventories increased by Euro 10,957 thousand compared to December 31, 2013. This increase was mainly due to the seasonality of the Group sales that usually show their peak during the summer.

Inventories are shown net of a obsolescence reserve of Euro 2.4 million and Euro 2.1 million as of March 31, 2014 and as of December 31, 2013 respectively.

14. CURRENT TAX RECEIVABLES

The table below sets forth the breakdown of current tax receivables as of March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Receivables from tax authorities	7,851	7,602
Receivables from SECI for liquidation Group IRES	588	650
Receivables from SECI for liquidation Group VAT	0	185
Total Current tax receivables	**8,439**	**8,437**

Receivables from tax authorities mainly include the amount of income taxes advances paid by Group companies to the local tax authorities, and amount of VAT and withholding taxes owed to Group companies for advances paid.

As of March 31, 2014, receivables from tax authorities increased by Euro 249 thousand compared to December 31, 2013 mainly due to higher VAT receivables recognized from the companies not taking part to the national tax consolidation agreement.

It should be noted that the Company, Elas Geotecnica s.r.l., O.E.F. S.c.a.r.l., Maccaferri Tunneling s.r.l. (formerly Hight Tech Green s.r.l.) and Borghi Azio s.r.l. take part to the national tax consolidation agreement in connection with IRES (income tax) and VAT (all of them except for Borghi Azio s.r.l.). Based on the agreement the IRES and VAT balance pertaining to the abovementioned companies are transferred to SECI against the recognition of a credit/debit with the nominated parent, the balance of the accounts arise as part of this agreement are timely paid/collected.

15. OTHER CURRENT NON-FINANCIAL ASSETS

The following table shows the breakdown of other current non-financial assets as of March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Other current receivables	8,675	8,203
Accrued income	975	1,119
Prepaid expenses	1,858	1,318
Other receivables due from SECI	33	140
Total Other current non-financial assets	**11,541**	**10,780**

Other current non-financial assets increased by Euro 761 thousand from Euro 10,780 thousand as of March 31, 2014 to Euro 11,541 thousand, mainly due to the Euro 540 thousand increase in the prepaid expenses, following the payment of annual insurance premiums and other annual instalment.

16. SHARE CAPITAL AND RESERVES

Share capital

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Share capital	33,400	33,400

Ordinary shares have a nominal value of Euro 80.00 each.

The ordinary shares of Officine Maccaferri S.p.A., issued and fully paid up as of March 31, 2014 totaled 417,500, thus unchanged compared to December 31, 2013.

Reserves and retained earnings

The table below shows the movement in the shareholders' equity reserves as of and for the three month period ended March 31, 2014:

In thousand of Euro	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Currency translation reserve	Total Reserves
As of January 1, 2014	**2,409**	**10,641**	**35,351**	**45,235**	**(26,800)**	**66,836**
Allocation of prior year results				4,025		4,025
Changes in the consolidation area				(438)	755	317
As of March 31, 2014	**2,409**	**10,641**	**35,351**	**48,822**	**(26,045)**	**71,178**

The Revaluation reserve refers to the revaluation of Land and Buildings in accordance with the Law Decree 185/2008, converted into law on January 28, 2009.

The item Other reserves refers to the following items:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Reserve ex art. 55 D.P.R. 597/73	4,447	4,447
Capital contribution payment reserve	19,000	19,000
Other reserves	11,904	11,904
Total Other reserves	**35,351**	**35,351**

17. BANK LOANS AND OTHER FINANCIAL LIABILITIES

The item bank loans and other financial liabilities include the current and non-current portion of loans from financial institution and from other lenders.

The tables below sets forth the breakdown of bank loans and other financial liabilities as of March 31, 2014 and as of December 2013:

	As of March 31, 2014				As of December 31, 2013			
In thousand of Euro	Total	*within 1 year*	*1 to 5 years*	*over 5 years*	Total	*within 1 year*	*1 to 5 years*	*over 5 years*
Overdraft and other short term debts	89,628	*88,267*	*1,361*		72,571	*70,943*	*1,628*	
Long-term debts due to financial institutions	66,725	*16,155*	*48,137*	*2,433*	64,972	*5,261*	*54,678*	*5,033*
Other financial liabilities	13,606	*10,959*	*2,190*	*457*	9,927	*6,525*	*2,904*	*498*
Total Banks loans and other financial liabilities	**169,959**	**115,381**	**51,688**	**2,890**	**147,469**	**82,728**	**59,210**	**5,531**

As of March 31, 2014 bank loans and other financial liabilities increased by Euro 22,490 thousand, from Euro 147,469 thousand as of 31 December 2013 to Euro 169,959 thousand; both the Parent and the subsidiaries entered new financing agreements during the period in order to finance the growing demand of products and services which had as a result an increase of the debt towards financing institution by Euro 18,810 thousand. The other financial liabilities increased by Euro 3,679 thousand compared to December 31, 2013; such increase was mainly due to the higher amounts of payables towards factoring companies (Euro 2.9 million) due to the higher amount of payables that our suppliers sold to factor companies compared to December 31, 2013.

The table below sets forth the details of the bank loans outstanding as of March 31, 2014 including the original amount, terms and conditions and maturity date:

Bank	Entity	Currency	Original amount in thousand of Euro	As of March 31, 2014 in thousand of Euro	Terms	Maturity date
BNP Paribas	Officine Maccaferri SpA	EUR	6,555	6,555	3-months Euribor plus spread	2014-2018
Cassa Depositi e Prestiti	Officine Maccaferri SpA	EUR	15,295	15,295	3-months Euribor plus spread	2014-2018
Banca Popolare di Vicenza	Officine Maccaferri SpA	EUR	2,000	2,000	3-months Euribor plus 10 bps plus spread	2020
Simest	Officine Maccaferri SpA	EUR	660	354	fixed-cut rate	2017
Intesa San Paolo	Officine Maccaferri SpA	EUR	4,000	4,000	6-months Euribor plus spread	2014
Intesa San Paolo	Officine Maccaferri SpA	EUR	3,600	3,600	6-months Euribor plus spread	2019
Credit Agricole	Officine Maccaferri SpA	EUR	4,100	4,100	6-months Euribor plus spread	2018
Caricesena	Officine Maccaferri SpA	EUR	376	215	6-months Euribor plus spread	2014
Caricento	Officine Maccaferri SpA	EUR	1,500	1,500	3-months Euribor plus spread	2020
Caricento	Officine Maccaferri SpA	EUR	904	780	3-months Euribor rounded to the high range plus spread	2015
Banco do Brasil	Officine Maccaferri SpA	EUR	816	816	Fixed rate	2017
FirstRand Bank Limited	African Gabions Ltd	ZAR	643	630	Variable plus spread	2023
Malayan Banking Berhad	Maccaferri SDN BHD	MYR	616	607	Fixed plus spread	2018
ICICI Bank	Maccaferri Environmental Solutions PVT Ltd	INR	586	533	Fixed plus spread	2016
Banco do Brasil	Maccaferri do Brasil Ltda	BRL	6,585	6,585	Variable plus spread	2016
Banco do Brasil—FINAME	Maccaferri do Brasil Ltda	BRL	187	187	Fixed rate	2019
Banco Santander—NCE	Maccaferri do Brasil Ltda	BRL	5,595	5,595	Variable plus spread	2015
Banco Bradesco—NCE	Maccaferri do Brasil Ltda	BRL	6,475	6,475	1) Fixed rate 2) variable plus spread	2016-2017
Banco Bradesco—FINAME	Maccaferri do Brasil Ltda	BRL	88	88	1) Fixed rate 2) Fixed rate 3) Fixed rate	2016-2018
Intesa San Paolo	Euro Gabions	EUR	685	633	Variable plus spread	2018
Unicredit	Euro Gabions	EUR	200	175	Fixed plus spread	2018
CSOB Bank	Euro Gabions	EUR	1,801	1,702	Variable plus spread	2018
Credito di Romagna	Elas Geotecnica s.r.l.	EUR	839	794	Euribor 365 plus spread	2017

Bank	Entity	Currency	Original amount in thousand of Euro	As of March 31, 2014 in thousand of Euro	Terms	Maturity date
Intesa San Paolo	Elas Geotecnica s.r.l.	EUR	22	22	Variable plus spread	2015
Banca pop. dell'Emilia Romagna	Borghi Azio s.r.l.	EUR	237	209	3-months Euribor plus spread	2015
Banco Votorantin	Bmd Ltda	BRL	633	633	Variable plus spread	2015
Banco Santander	Bmd Ltda	BRL	866	866	Variable plus spread	2015
Banco do Brasil—FINAME	Bmd Ltda	BRL	23	23	1) Fixed rate 2) Fixed rate	2015-2016
Banco do Brasil	Bmd Ltda	BRL	880	880	Variable rate	2015
Desenbahia	Bmd Ltda	BRL	344	344	Fixed rate	2016
Banco Bradesco	Bmd Ltda	BRL	71	71	Fixed rate	2017
Banco Santander	Bianchini Ingeniero S.A.	EUR	271	226	Fixed plus spread	2016
Credit Agricole	Maccaferri Balkans Sh.p.k.	EUR	246	231	3-months Euribor plus spread	2017
Total				**66,725**		

18. EMPLOYEES' TERMINATION INDEMNITY

The employee termination indemnity is calculated in accordance with the national contract of employment.

The table below sets forth the movements occurred as of and for the three month period ended March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Beginning as of January 1,	***2,481***	***2,836***
Change in the consolidation area	0	—
Accrual for the period	149	638
Utilization for the period (resignation and advances)	(71)	(476)
Payment of current-year portion to pension fund and INPS treasury fund	(123)	(512)
Withholding tax on revaluation	0	(5)
Balance at the end of period	**2,436**	**2,481**

Employees' termination indemnity decreased by Euro 45 thousand as of March 31, 2014 from Euro 2,481 thousand as of December 31, 2013 to Euro 2,436 thousand. Such decrease was mainly due to the payment of the current-year portion to pension and INPS treasury funds and to the utilization of the period, which were partially offset by the accrual of the year.

19. PROVISIONS FOR RISKS AND CHARGES

The breakdown of and the movements in the provision for risks and charges occurred in the three month period ended March 31, 2014 are shown below:

In thousand of Euro	Pension and similar provision	Tax litigation provision	Other provisions	Total
Balance as of January 1, 2014	**2,407**	**917**	**5,043**	**8,367**
Accrual for the period	122	139	197	**458**
Non-recurring accrual		338		**338**
Reversal			(108)	**(108)**
Decrease for use	(22)	0	(308)	**(330)**
Exchange rate adjustment	(1)	29	67	**95**
Reclassification	0	(35)	35	**0**
Balance as of March 31, 2014	**2,506**	**1,388**	**4,926**	**8,820**

Pension and similar provision

The item, amounted to Euro 2,506 thousand as of March 31, 2014 and Euro 2,407 thousand as of December 31, 2013 includes the estimation of the severance to be paid to the agents subject to the termination of their work relations with the Group, and include the liabilities related to the pension fund of some foreign associates. The accrual of the year is recognized in the income statement as "pension and similar costs" within the "cost of personnel".

Tax litigation provision

The item amounted to Euro 1,388 thousand as of March 31, 2014 and Euro 917 thousand as of 31 December 2013 and includes the estimation of cost for withholding tax liabilities and risks related to tax litigations. If the accrual relates to VAT or withholding tax for the current year is recognized in the income statement as "fiscal contingencies" within the "other operating costs", differently if relates to income and other taxes related to the previous years , is recognized in the income statement as "accrual to provision for risks and charges".

Other provision

The item amounted to Euro 4,926 thousand as of March 31, 2014 and Euro 5,043 thousand as of December 31, 2013 and mainly includes the provision booked in order to cover risks linked to the business activity, risk arisen from litigations with third parties and provision related to Group companies restructuring process. The accrual of the year is recognized in the income statement as "accrual to provision for risks and charges"; should the cost incurred be considered exceptional, the accrual is recognized as "non-recurring expenses and charges".

The main disputes and litigations as of March 31, 2014, and related current update, are detailed below:

Litigation Re: COIM construction consortium

We are party to a proceeding brought by a construction consortium ("COIM") alleging that certain of our geosynthetic products used to line and waterproof an underpass in northern Italy were manufactured and/or installed improperly. We have argued that the product was not defective and that any leakage was caused by improper installation and by design flaws in the project itself. An initial trail was decided in our favor. However, on appeal, the Italian appellate court ruled against us and ordered us to pay total damages (including costs, fees and interest) of approximately €4.0 million. We have appealed this decision to the Italian Court of Cassation and are awaiting a ruling (expected in June 2014) on whether the appeal will be heard by such court. In addition, we have petitioned to stay our payment obligations pursuant to the appellate decision pending the outcome of the further appeal. A ruling on this stay is expected at the end of May, 2014. If the stay of payment is granted, we will post a payment bond with the court that will be enforced in the event our ultimate appeal is unsuccessful. If the stay of payment is not granted, we will be required to pay the full amount of the damages and would only be entitled to seek reimbursement if our appeal is ultimately successful, but any subsequent recovery would uncertain. The Group accrued a specific provision within other provision of Euro 800 thousand during the year 2013, which was unchanged as of March 31, 2014.

Cave Pedogna litigation

The operator of rock and gravel quarry in Italy ("Cave Pedogna") has brought a claim against us alleging that imperfections in our products and/or project design used to line and protect a portion of the quarry are defective and, as a result, a portion of the quarry is unusable. Cave Pedogna's claim seeks restitution for damages and lost profits. This claim is still in the early stages of petition and discovery and we cannot yet estimate potential damages or lost profits, if any. We intend to vigorously defend our interests in this case and, in any case, we estimate that, with regard to this litigation, no ruling in the case will be issued in the medium term. As of December 31, 2013 the specific provision accrued amounted to Euro 665 thousand which did not change as of March 31, 2014.

20. DEFERRED TAX LIABILITIES

The table below sets forth the breakdown of the item as of March 31, 2014, compared to December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Deferred tax liabilities from time differences between statutory and fiscal financial statements	1,750	2,413
Deferred tax liabilities from the adjustment to the local financial statements to the accounting principles of the Group	1,287	962
Deferred tax liabilities from time differences of the consolidation inclusions	2,124	1,459
Total	**5,161**	**4,834**

21. TRADE PAYABLES AND ADVANCE FROM CUSTOMERS

The table below sets forth the breakdown of trade payables and advance from customers as of March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Trade payables due to third parties	64,662	62,682
Trade payables due to SECI	334	179
Total trade payables	**64,996**	**62,861**
Advance from customers	**2,511**	**2,517**
Total Trade payables and advance from customers	**67,507**	**65,378**

As of March 31, 2014 trade payables increased by Euro 2,135 thousand to Euro 64,996 thousand compared to December 31, 2013 (Euro 62,861 thousand); such increase was mainly due to the purchase of inventories in the period as a consequence of the business seasonality that normally will see an increase of the production in the following months.

22. CURRENT TAX PAYABLES

The table below sets forth the breakdown of current tax payables as of March 31, 2014 and December 31, 2013:

In thousand Euro	As of March 31, 2014	As of December 31, 2013
Current tax payables	5,116	6,142

As of March 31, 2014 current tax payables decreased by Euro 1,026 thousand to Euro 5,116 thousand compared to December 31, 2013 (Euro 6,142 thousand); such decrease was mainly due to the higher accrual for income taxes (Euro 1,390 thousand) as a consequence of the higher income before taxes for the period, partially offset by the increase in VAT Payables (Euro 576 thousand).

23. OTHER CURRENT NON-FINANCIAL LIABILITIES

The table below sets forth the breakdown of other current non-financial liabilities as of March 31, 2014 and December 31, 2013:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Social security payables	625	825
Accrued expenses	5,105	4,921
Deferred income	1,043	425
Due to personnel	2,686	2,571
Payables to factoring	15,168	31,872
Other payables	9,973	6,547
Total Other current non-financial liabilities	**34,600**	**47,161**

As of March 31, 2014 other current non-financial liabilities decreased by Euro 12,561 thousand to Euro 34,600 thousand compared to December 31, 2013 (Euro 47,161 thousand); the decrease was mainly due to the Euro 16,704 thousand decrease in payables to factoring due to the lower amount of payables overdue sold by our supplier sold to factoring companies. Such decrease is connected to the increase in payables to factoring companies, for further details refer to Note 17.

It should be noted that some of the Group's suppliers use to sell to factor companies the Group's payables. The Group maintains the recognition of these payables in the "other current non-financial liabilities" until the original due date of the sold invoices (45 days on average), subsequently the related amounts are reclassified to "bank loans and other financial liabilities", from which moment they bear interests.

The unaudited interim condensed consolidated income statement for the three month period ended March 31, 2014 and 2013 are presented below.

24. REVENUE FROM SALES AND SERVICES

The table below sets forth the breakdown of revenue from sales and services for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Revenue from sales	86,493	85,836
Revenue from services	4,831	4,806
Revenue from sales and services	**91,324**	**90,642**

The breakdown of revenue from sales and services by geographical area is as follows:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Italy	11,760	8,293
Europe (UE)	16,608	14,088
Extra UE	62,956	68,261
Revenue from sales and services	**91,324**	**90,642**

For the three month period ended March 31, 2014 the revenue increased by Euro 682 thousand, in particular revenue increased in Italy by Euro 3,467 thousand and by Euro 2,520 thousand in Europe, while revenue in Extra EU markets decreased by Euro 5,305 thousand. The overall increase was mainly due to the higher revenue in certain area such as Italy (for Euro 3,467 thousand), due to the mild winter 2013 which allowed projects to begin sooner and to continue for longer than the usual, and Russia mainly due to the end of the projects pertaining to the Sochi Olympic Games. Such increase was partially compensated by the delay in the beginning of projects in India, China and Peru as a direct consequence of the economic downturn, worsened by the devaluation of the local currencies.

25. OTHER REVENUE

The table below sets forth the breakdown of the other revenue for the three month period ended March 31, 2014 and 2013:

In thousand Euro	For the three month period ended March 31, 2014	2013
Repayment of transport costs	857	188
Income from rental of buildings	423	229
Gain on disposal of assets	149	93
Release of provisions for risks and charges and of allowance for doubtful accounts	193	182
Other revenue	666	578
Change in inventory of semi-finished and finished products	5,071	3,361
Change in inventory of work in progress	—	—
Total Other revenue	**7,358**	**4,631**

For the three month period ended March 31, 2014 other revenue increased by Euro 2,727 thousand, from Euro 4,631 thousand for the three month period ended March 31, 2013 to Euro 7,358 thousand. Such increase was mainly due to the Euro 669 thousand increase in the repayment of transportation costs and the increase of inventory of semi-finished and finished products.

26. COST OF MATERIALS AND CONSUMABLES

The table below sets forth the breakdown of costs of raw materials and consumables for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Raw materials and marketing	56,886	59,330
Secondary materials and consumables	1,659	1,524
Change in inventories of raw materials, consumables and goods	(5,776)	(9,607)
Costs of materials and consumables	**52,769**	**51,247**

For the three-month period ended March 31, 2014 cost of materials and consumables increased by Euro 1,522 thousand to Euro 52,769 thousand from Euro 51,247 thousand for the three month period ended March 31, 2013. Such increase was mainly due to the higher business volume registered in the first quarter of 2014.

27. COST OF SERVICES AND USE OF THIRD PARTY ASSETS

The table below sets forth the breakdown of the item for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Transport expenses	3,559	3,761
Technical, legal, fiscal and consulting expenses	1,544	1,763
Remuneration of directors, Board of auditors	324	314
Advertising expenses	571	706
Commissions	1,679	1,872
Utilities expenses	2,012	2,139
Travel expenses	1,437	1,692
Banking service expenses	154	170
Insurance expenses	212	299
External manufacturing	1,660	1,709
External maintenance	431	190
IT consulting	335	413
Information on client and debt collection	325	425
Other services	5,508	5,876
Costs of services	**19,751**	**21,329**
Plant and equipment rents	612	648
Selling and marketing rents	415	459
Technical rents	69	86
General and administrative rents	268	274
Costs of use of third party assets	**1,365**	**1,467**
Costs of services and use of third party assets	**21,116**	**22,796**

For the three month period ended March 31, 2014 cost of services and use of third parties assets decreased by Euro 1,680 thousand from Euro 22,796 thousand for the three month periods ended March 31, 2013 to Euro 21,116 thousand. Such decrease was mainly due to the cost-reduction plans undertaken in the previous years.

28. COST OF PERSONNEL

The table below sets forth the breakdown of costs of personnel for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Wages, salaries and social security contributions	16,480	17,611
Employees severance indemnity	147	165
Pension and similar costs	306	443
Other personnel costs	941	346
Costs of personnel	**17,874**	**18,565**

For the three month period ended March 31, 2014 the cost of personnel decreased by Euro 691 thousand from Euro 18,565 thousand for the three month period ended March 31, 2013 to Euro 17,874 thousand. Such decrease was mainly due to the progressive completion of restructuring processes in high-labor cost countries started in the previous years, with plants that were relocated in low-labor cost countries, which had as effect a decrease in the overall cost despite the increase of the headcount:

	As of March 31, 2014	2013
Executives	74	74
Employees	1,314	1,296
Working men	1,615	1,468
Total	**3,003**	**2,838**

29. OTHER OPERATING COSTS

The table below sets forth the breakdown by nature of other operating costs for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Losses on trade receivables and release	0	1
Losses on disposal of assets	92	14
Fiscal contingencies	139	456
Other operating costs from recurring operations	299	248
Other operating costs	**530**	**719**

For the three month period ended March 31, 2014 other operating costs decreased by Euro 189 thousand compared to the three month period ended March 31, 2013. Such decrease was mainly attributable to the lower accrual for fiscal contingencies recognized in the period.

30. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

The table below sets forth the breakdown of the item for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Amortization of intangible assets	607	516
Depreciation of property, plant and equipment	2,549	2,803
Other write-back of property, plant, equipment and intangible assets	82	0
Accrual to allowances for doubtful accounts	1,213	1,478
Total Amortization, depreciation and write downs	**4,451**	**4,797**

For the three month period ended March 31, 2014 amortization, depreciation and accrual to allowances for doubtful accounts decreased by Euro 346 thousand compared to March 31, 2013; the decrease was mainly related to the lower write-downs of trade receivables, and the lower depreciation of property, plant and equipment.

31. FINANCIAL INCOME, EXPENSES AND GAINS / (LOSSES) ON EXCHANGE RATES

The table below sets forth the breakdown of financial income, expenses and gains/(losses) on exchange rates for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Other financial income	610	229
Total financial income	**610**	**229**
Interests and other financial expenses	(3,208)	(3,027)
Total financial expenses	**(3,208)**	**(3,027)**
Gain/(losses) on exchange rates	**(278)**	**335**
Net losses from financial activities	**(2,876)**	**(2,463)**

For the three month period ended March 31, 2014 the financial income increased by Euro 381 thousand compared to the three month period ended March 31, 2013. Such increase was mainly due to the financial income derived from the short-term interest-bearing investment for Euro 26,000 thousand, made at the end of 2013 and collected on March 14, 2014, for further details refer to Note 11.

For the three month period ended March 31, 2014, financial expenses increased by Euro 181 thousand, mainly as a result of the greater indebtedness compared to the three month period ended March 31, 2013.

For the three-month period ended March 31, 2014 the net losses on exchange rates amounted to Euro 278 thousand, mainly due to the appreciation of Euro compared to several functional currencies of the Group's subsidiaries (mainly Argentinian pesos). The net result of the exchange rates includes the net unrealised profits for Euro 30 thousand, calculated using the exchange rate as of March 31, 2014 or based on the contractual exchange rates, if any.

32. NET NON-RECURRING EXPENSES AND CHARGES

The table below sets forth the breakdown of the item for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Recognition of deferred tax assets previously not recognized	176	0
Other	19	71
Total non-recurring income	**195**	**71**
Restructuring costs	0	(1,710)
Non-recurring accrual to provision for risks and charges	(338)	0
Other	(144)	0
Total non-recurring expenses and charges	**(482)**	**(1,710)**
Total non-recurring expenses and charges	**(287)**	**(1,639)**

For the three month period ended March 31, 2014 the non-recurring income increased by Euro 124 thousand compared to three month period ended March 31, 2013; such increase was mainly due to the recognition of deferred tax assets previously unrecognized due to the Russian subsidiaries.

For the three month period ended March 31, 2013 the non-recurring expenses decreased by Euro 1,228 thousand compared to the three month period ended March 31, 2013; such decrease was mainly due to the completion of the restructuring process and was partially offset by the higher non-recurring accrual for risks and charges mainly related to the tax provision recognized in the period by a Brazilian subsidiary.

33. INCOME TAXES

The table below sets forth the breakdown of income taxes for the three month period ended March 31, 2014 and 2013:

In thousand of Euro	For the three month period ended March 31, 2014	2013
Current income taxes	(1.011)	(89)
Change in deferred tax liabilities	(460)	93
Change in deferred tax assets	1.237	310
(Income taxes)/ tax benefit	**(234)**	**314**

For the three months ended March 31, 2014 the Group recorded income taxes of Euro 234 thousand differently from the three months ended March 31, 2013 when the Group recorded a tax benefit of Euro 314 thousand due to the higher loss before taxes recognized in the first quarter 2013and the different taxable income mix in relation to the single tax jurisdiction which apply to the single companies in the consolidation area.

As previously described tax benefit/income taxes deriving from previous year adjustment are recognized in the income statement as non-recurring income or expenses and charges.

Current income taxes include the cost for taxes related to the Group companies calculated on the basis of tax rules applicable in any of the countries in which the Group operate.

The recognition of deferred tax assets has been made by each entity of the Group assessing the future ability of generating taxable income on the basis on the most updated future year projection.

34. MEMORANDUM ACCOUNTS

Memorandum accounts are stated at their nominal value taking into account risk and commitments existing at the reporting date:

In thousand of Euro	As of March 31, 2014	As of December 31, 2013
Guarantess and performance bonds issued for the benefit of third parties	8,284	7,366
Pledged securities	103	103
Guarantees issued to third parties as deposits	1,450	1,450
Commitments for currency forward contracts	5,534	6,813
Trade Receivables sold on recourse basis	6,132	3,201
Total Memorandum accounts	**21,503**	**18,933**

Guarantees and performance bonds issued for the benefit of third parties

They mainly consists of: (i) guarantees given to clients as a guarantee of supply, and (ii) guarantees in support of the subsidiaries.

Guarantees issued to third parties as deposits

It has to be noted that guarantees given to subsidiaries are not shown in the memorandum accounts due to the fact that they are already included into the subsidiaries' financial statements inside the liabilities accounts.

Trade receivables sold on recourse basis

The item relates to the amount of trade receivables sold to factoring companies with recourse.

Commitment for currency forward contracts

The Group entered into derivative contracts designed to hedge the exchange rate risk on commercial receivables and payables, financial receivables and payables: below a detail of the contracts per currency, their notional value in Euro and their fair value as of March 31, 2014 and as of December 2013:

Currency	Notional amount in local currencies, in thousand		Notional in thousand of Euro	Mark to market as of March 31, 2014, in thousand of Euro	
	Purchased	Sold		Assets	Liabilities
EUR	598	0	598	0	(31)
GBP	381	0	460	1	(21)
NZD	225	0	141	0	(1)
USD	5,844	0	4,238	13	(48)
Total				**14**	**(101)**
					(87)

Currency	Notional amount in local currencies, in thousand		Notional in Euro	Mark To Market as of December 31, 2013, in thousand of Euro	
	Purchased	Sold		Assets	Liabilities
EUR	598	0	598	15	0
GBP	508	10	621	5	(1)
NZD	225	0	134	1	0
USD	7,402	11	5,375	127	(1)
Total	**8,733**	**20**	**6,728**	**149**	**(2)**
				147	

Officine Maccaferri Group policy is to cover the exchange rate risk every time there is a cash inflows (trade receivables, financial receivables and other receivables) or cash outflows (trade payables, financial payables and other payables) in a foreign currency. The Group companies which need apply such a policy the most are Officine Maccaferri S.p.A., Maccaferri Environmental Solutions (India) and Maccaferri de Mexico S.A. de C.V.. The hedging contracts underwritten relate entirely to forward exchange rates, and they all have due date within the next 12 months period.

Moreover, during 2013 the parent company Officine Maccaferri S.p.A entered two interest rate swap, designed to cover the interest rate risk on the loans undersigned and which fair values as of March 31, 2014 and as of December 31, 2013 are shown below:

Counterparty	Type of contract	Stipulation date	Expiration date	Rate	Notional	Mark To Market as of March 31, 2014, in thousand of Euro	Mark To Market as of December 31, 2013 in thousand of Euro
Bnp Paribas	Interest Rate Swap	November 7, 2013	September 19, 2018	0.855% per annum	14,421	(78)	(17)
Cassa di Risparmio di Cento	Interest Rate Swap	March 27, 2013	June 27, 2020	1.07% plus spread per annum	1,500	(19)	5
Total						**(97)**	**(12)**

35. EXECUTIVE MANAGEMENT REMUNERATION

According to the Civil Code, article 2427, first paragraph, no. 16, the remunerations paid to Directors and Statutory Auditors, for the period ending March 31, 2014 and as of December 31, 2013 were as it follows:

In thousand of Euro	For the three month period ended as of March 31, 2014	2013
Parent company's directors remuneration	121	125
Parent company's statutory auditors remuneration	11	11
Subsidiaries directors and statutory auditors remuneration	192	178
Total	**324**	**314**

36. RELATED-PARTIES TRANSACTIONS

The Group enters into transactions with certain related parties or affiliates from time to time and in the ordinary course of our business. Set forth below is a list of our related party transactions as of and for the three month period ended March 31, 2014 and 2013:

Related party	For the three month period ended	Revenues	Costs	Financial income	Financial expenses	As of	Trade receivables and others	Trade payables and others	Financial assets	Financial liabilities
Parent company										
S.E.C.I. Società Esercizi	March 31, 2013	16	84	95	—	December 31, 2013	1,252	179	7,501	—
Commerciali Industriali spa	March 31, 2014	—	119	277	—	March 31, 2014	963	334	34,067	—
Associates										
Arenaria S.R.L.	March 31, 2013	—	—	—	—	December 31, 2013	1	—	—	—
	March 31, 2014	—	—	—	—	March 31, 2014	—	—	—	—
Enarray Mexico SA	March 31, 2013	—	—	—	—	December 31, 2013	—	—	—	—
	March 31, 2014	5	—	—	—	March 31, 2014	5	—	—	—
Enerray S.R.L.	March 31, 2013	—	4	—	—	December 31, 2013	—	—	—	—
	March 31, 2014	—	—	—	—	March 31, 2014	—	—	—	—
Eridania Sadam S.P.A.	March 31, 2013	—	—	—	—	December 31, 2013	50	—	—	—
	March 31, 2014	0	—	—	—	March 31, 2014	0	—	—	—
Prama S.R.L.	March 31, 2013	84	29	—	—	December 31, 2013	—	—	—	—
	March 31, 2014	—	—	—	—	March 31, 2014	—	—	—	—
S.A.P.A.B.A. S.p.A.	March 31, 2013	—	21	—	—	December 31, 2013	—	41	—	—
	March 31, 2014	30	23	—	—	March 31, 2014	86	16	—	—
SECI Energia S.P.A.	March 31, 2013	—	—	—	—	December 31, 2013	39	—	—	—
	March 31, 2014	—	—	—	—	March 31, 2014	39	—	—	—
SECI Real Estate S.P.A.	March 31, 2013	—	55	—	—	December 31, 2013	—	268	—	—
	March 31, 2014	—	—	—	—	March 31, 2014	—	—	—	—

The main related-parties transactions with the Parent relate to the rental of the buildings in which the Company undertakes its activities and to financial relations, both assets and liabilities. The transactions with the other associates are of general commercial nature.

All the related parties transactions are carried out at market conditions.

37. SUBSEQUENT EVENTS

During April 2014, the Company purchased an additional 20% of the share capital of Elas Geotecnica S.r.l. for Euro 1,371 thousand (as of December 31, 2013 Officine Maccaferrri S.p.A. owned 80% of the share capital of the company); therefore the Group now holds the entire share capital of the company.

On April 28, 2014, the Board of Directors of Officine Maccaferri S.p.A. approved the payment of a dividend for Euro 5,500 thousand, and of an extraordinary dividend for Euro 32,500 thousand, both to its parent company SECI

OFFICINE MACCAFERRI S.P.A.

Consolidated financial statements as of December 31, 2013, 2012 and 2011 and for the years then ended

FINANCIAL STATEMENTS AND NOTES THERETO

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INDEPENDENT AUDITORS' REPORT

To the sole Shareholder of
Officine Maccaferri S.p.A.

We have audited the accompanying consolidated financial statements of Officine Maccaferri S.p.A. (the "Company") and its subsidiaries (together with the Company, the "Officine Maccaferri Group") as of December 31, 2013, 2012 and 2011 and for the years then ended. These consolidated financial statements are the responsibility of the Company's directors. Our responsibility is to express our opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all materials respects, the consolidated financial position of the Officine Maccaferri Group as of December 31, 2013, 2012 and 2011 and the consolidated results of its operations and its cash flows for the years then ended, in conformity with the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statements, as interpreted by and integrated with the accounting principles established by the "Organismo Italiano di Contabilità (OIC)" and those previously established by the "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" and reviewed by the OIC (the "Italian Accounting Profession"), and collectively referred to as Italian Generally Accepted Accounting Principles ("Italian GAAP").

Bologna, Italy
May 26, 2014

Reconta Ernst & Young Spa

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OFFICINE MACCAFERRI S.P.A.

CONSOLIDATED BALANCE SHEET

In thousands of Euro	Notes	As of December 31, 2013	2012	2011
Intangible assets	**6**	19,210	19,706	23,734
of which goodwill	**6**	*14,381*	*14,315*	*16,460*
Property, plant and equipment	**7**	118,414	123,073	122,872
Investment in subsidiaries, associates, joint ventures and other companies	**8**	1,639	880	963
Other non-current assets	**9**	13,338	12,006	9,315
of which deferred tax assets	**9**	*12,421*	*10,310*	*8,400*
Total non-current assets		**152,601**	**155,665**	**156,884**
Cash and cash equivalents	**10**	22,823	19,462	31,311
Other current financial assets	**11**	33,713	11,000	2,500
Trade receivables	**12**	101,301	110,307	109,181
Inventories	**13**	87,282	85,457	92,350
Current tax receivables	**14**	8,437	6,570	7,224
Other current non-financial assets	**15**	10,780	12,784	11,549
Total current assets		**264,336**	**245,580**	**254,115**
Total assets		**416,937**	**401,245**	**410,999**
Shareholders' equity and liabilities				
Share capital	**16**	33,400	16,000	16,000
Reserves	**16**	66,835	75,596	79,227
Net income for the year	**16**	4,025	9,735	6,357
Equity attributable to equity holders of the parent		**104,260**	**101,331**	**101,584**
Equity attributable to non-controlling interests		30,845	28,706	23,181
Total shareholders' equity		**135,105**	**130,037**	**124,765**
Non-current portion of banks loans and other financial liabilities	**17**	64,741	40,424	25,176
Non-current bonds	**18**	0	17,398	17,398
Employees' termination indemnity	**19**	2,481	2,836	2,953
Provisions for risks and charges	**20**	8,367	8,336	9,412
Deferred tax liabilities	**21**	4,834	5,910	6,742
Total non-current liabilities		**80,423**	**74,904**	**61,681**
Current portion of banks loans and other financial liabilities	**17**	82,728	74,300	97,074
Advance from customers	**22**	2,517	6,454	3,254
Trade payables	**22**	62,861	65,436	69,225
Current tax payables	**23**	6,142	4,959	6,575
Other current non-financial liabilities	**24**	47,161	45,155	48,425
Total current liabilities		**201,409**	**196,304**	**224,553**
Total liabilities		**281,832**	**271,208**	**286,234**
Total shareholders' equity and liabilities		**416,937**	**401,245**	**410,999**

OFFICINE MACCAFERRI S.P.A.

CONSOLIDATED INCOME STATEMENT

In thousands of Euro	Notes	For the year ended December 31, 2013	2012	2011
Revenue from sales and services	**25**	474,409	480,246	439,505
Other revenue	**26**	11,479	6,478	23,787
Total revenue		**485,888**	**486,724**	**463,292**
Costs of materials and consumables	**27**	(265,158)	(263,352)	(254,709)
Costs of services and use of third party assets	**28**	(96,269)	(97,013)	(98,516)
Costs of personnel	**29**	(74,249)	(73,358)	(70,445)
Other operating costs	**30**	(2,924)	(1,587)	(700)
Amortization, depreciation and write downs	**31**	(19,399)	(18,900)	(16,197)
Accrual to provision for risks and charges		(1,671)	(991)	(1,141)
Total Operating costs		**(459,670)**	**(455,201)**	**(441,708)**
Operating income		**26,218**	**31,523**	**21,584**
Financial income	**32**	1,105	555	417
Financial expenses	**32**	(12,094)	(11,551)	(8,113)
Gains/(losses) on exchange rate	**32**	(3,713)	(387)	(436)
Net expenses and losses from financial activities		**(14,702)**	**(11,383)**	**(8,132)**
Net non-recurring expenses and charges	**33**	**(2,854)**	**(4,497)**	**(1,287)**
Income before taxes		**8,662**	**15,643**	**12,165**
Income taxes	**34**	(3,555)	(5,160)	(4,767)
Net income for the year		**5,107**	**10,483**	**7,398**
Attributable to non-controlling interests		(1,082)	(748)	(1,041)
Attributable to equity holders of the parent		4,025	9,735	6,357

OFFICINE MACCAFERRI S.P.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Euro	Share capital	Reserves	Current year results	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total Shareholders' equity
As of January 1, 2011	**16,000**	**79,938**	**8,212**	**104,150**	**18,112**	**122,262**
Allocation of prior year results		8,212	(8,212)	0		0
Dividends paid		(3,500)		(3,500)	(523)	(4,023)
Movements deriving from consolidation process		(5,423)		(5,423)	4,550	(873)
Current year result			6,357	6,357	1,041	7,398
As of December 31, 2011 . . .	**16,000**	**79,227**	**6,357**	**101,584**	**23,181**	**124,765**
Allocation of prior year results		6,357	(6,357)	0		0
Dividends paid		(3,775)		(3,775)	(1,050)	(4,825)
Movements deriving from consolidation process		(6,213)		(6,213)	5,828	(385)
Current year result			9,735	9,735	748	10,483
As of December 31, 2012 . . .	**16,000**	**75,596**	**9,735**	**101,331**	**28,706**	**130,037**
Allocation of prior year results		9,735	(9,735)	0		0
Dividends paid		(5,275)		(5,275)	(860)	(6,135)
Movements deriving from consolidation process		(13,221)		(13,221)	1,917	(11,304)
Capital increase	17,400			17,400		17,400
Current year result			4,025	4,025	1,082	5,107
As of December 31, 2013 . . .	**33,400**	**66,835**	**4,025**	**104,260**	**30,845**	**135,105**

OFFICINE MACCAFERRI S.P.A.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of Euro	Twelve month period ended December 31,		
	2013	**2012**	**2011**
Net income for the year	**5,107**	**10,483**	**7,398**
Amortization, depreciation and write downs	19,399	18,900	16,197
Accrual of provision for risks and charges	3,247	2,812	3,576
Accrual of employees' termination indemnity	638	715	777
Decrease/(increase) of inventories	(1,825)	4,100	(17,010)
Decrease/(increase) of trade receivables	3,940	(6,562)	(9,938)
Increase/(decrease) of trade payables and advances from customer	(7,145)	3,533	1,926
Decrease/(increase) of other operating assets and liabilities, including deferred tax assets and liabilities	316	(10,519)	10,140
Payment of employees' termination indemnity	(995)	(814)	(881)
Utilization and reversal of provision for risks and charges	(2,685)	(3,533)	(530)
Net cash flow from operating activities	**19,997**	**19,115**	**11,656**
Investments in PP&E and intangible assets	(20,782)	(22,499)	(26,272)
Decrease of PP&E and intangible assets	3,094	3,963	5,769
Net cash (used) in business combination net of proceeds from disinvestments	(1,079)	(2,013)	(827)
Net change in investments	(842)	1	105
Net cash flow used in investing activities	**(19,609)**	**(20,548)**	**(21,225)**
Net proceeds from/(reimbursement of) borrowings	32,697	(1,093)	13,667
Net decrease/(increase) in short term financial assets	(22,713)	(8,500)	(2,500)
Net proceeds from/(reimbursement of) Bonds	(17,398)	0	0
Dividends paid	(6,135)	(4,825)	(4,023)
Capital increase	20,289	4,762	6,258
Net cash flow from/(used in) financing activities	**6,741**	**(9,656)**	**13,402**
Net effect of foreign currencies exchange rate variation and other changes	(3,768)	(760)	(2,629)
Change in cash and cash equivalent	**3,361**	**(11,849)**	**1,204**
Cash and cash equivalent at the beginning of the period	**19,462**	**31,311**	**30,107**
Changes in cash and cash equivalent	3,361	(11,849)	1,204
Cash and cash equivalent at the end of the period	**22,823**	**19,462**	**31,311**

OFFICINE MACCAFERRI S.P.A.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTRODUCTION

History

Officine Maccaferri S.p.A. (the "Company" or the "Parent Company") is the largest company in the Officine Maccaferri Group (the "OM Group" or the "Group"), active in the civil engineering sector. The Maccaferri family founded our company near Bologna, Italy in 1879 and has remained our controlling shareholder for over 130 years. Today, through a combination of organic growth and successful integration of bolt-on acquisitions, we now operate in more than 100 countries on five continents, with 31 production facilities and 2,937 employees (as of December 31, 2013).

The most recent phase of our history has been marked by growth aimed at expanding our business internationally and diversifying our product offerings. We have achieved this, in part, through research and development of new products and organic growth into new markets. We also recognized the opportunities of expanding into emerging markets where governments have invested significantly in infrastructure development and are likely to continue to do so in the future. We have expanded into emerging markets both by opening new Officine Maccaferri offices in those markets as well as through targeted acquisitions of other established companies in those markets that enable us to expand our product offerings and areas of expertise without straying from our core market strength.

Products

We offer over 60 different product lines, which we generally divide into four categories: double twist mesh, geosynthetics, rockfall protection and snow net structures and other products. These products can be offered individually to help customers and end-users meet their needs, but our true strength lies in provision of products package which aims at rendering "integrated solution" to every facet of a customer's engineering challenge.

Double-twist mesh

Our double twist mesh products are used in retaining structures, erosion protection, slope stabilization, pavement reinforcement and rockfall mitigation. These products have applications in end markets including mining, infrastructure, environmental protection, hydraulic and coastal works.

Geosynthetics

Our geosynthetics are polymeric products manufactured in various forms and used to reinforce soils, protect exposed areas from the erosive effects of rainfall and wind, waterproof reservoirs and provide safe, impermeable barriers and draining systems for landfills and other soil contaminators. These products are applied in end-markets including mining, infrastructure, urban infrastructure, environmental protection and marine and coastal works.

Rockfall protection and Snow net structures

Our rockfall protection and snow net structures are light-weight, high-performance flexible wire mesh catch fences, barriers, and soil nailing systems that are installed to protect assets, roads and people from rockfalls, avalanches, debris flows or other hydro-geotechnical hazards. They are applied in end-markets that include mining, civil infrastructure and urban infrastructure.

Other products and services

Our other products and services include tunneling solutions, vertical concrete retaining walls, project-specific construction and engineering services.

Significant events pertaining to the Group's business activities

The reporting periods ended December 31, 2013, 2012 and 2011 were characterized by the followings significant events:

2011

- Continuation and/or completion of the investments launched in the previous year; here we refer to the creation of a new industrial pool/hub of Tianjin in China and construction of a new industrial plant in Brazil specialized in production of geotextile;
- Redefinition of the competitive structure in Europe through establishment of Maccaferri Deutschland and acquisition of a company in Poland;
- Incorporation of new business Italdreni within organization Maccaferri Europe.

2012

- Completion of construction works related to the new production plant in Brasil which is specialized in production of geotextile products;
- Completion of investment in the new production facilities located in Russia;
- Establishment of new production joint venture with a local partner in Turkey;
- Start of the restructuring project in Spain;
- Sale of the companies Arenaria Srl and Prama Srl to S.E.C.I. S.p.A. ("SECI"), which were engaged in the activities considered as "non-core business".

2013

- Completion of construction works related to the new production plant in China which is specialized in production of double-torsion products and is to replace existing one that is no longer adequate and was subsequently sold during 2013;
- Finalizing of restructuring plans in Spain with interruption of the fibers production;
- Cease of production activities carried out by San Polo d' Enza division Italdreni followed by transfer and installation of a production line on the factory premises of the Maccaferri Central Europe located in Bratislava and other two lines on the factory premises of OM Castilenti (Teramo);
- Establishment of the commercial companies Magyarorszag Kft Maccaferri (Hungary) and Maccaferri Romania Srl (Romania) in view of implementing the market penetration strategy in the Eastern European market;

2. BASIS OF PRESENTATION

The consolidated financial statements of Officine Maccaferri S.p.A. as of December 31, 2013, 2012 and 2011 and for the years then ended, are comprised of the consolidated balance sheet, consolidated income statement, statement of changes in consolidated shareholders' equity, consolidated statement of cash flow and explanatory notes and have been prepared pursuant to the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statements, as interpreted by and integrated with the accounting principles established by the "Organismo Italiano di Contabilità ("OIC") and those previously established by the "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" and reviewed by the OIC (the "Italian accounting profession"). Such rules, together with the various principles, pronouncements and interpretations of the Italian accounting profession, are collectively referred to as Italian Generally Accepted Accounting Principles ("Italian GAAP").

These consolidated financial statements have been prepared in Euro and all values are rounded to the nearest thousand Euro, unless otherwise indicated. Furthermore the consolidated financial statements presented herein have been presented classified as described below solely for the purposes of their inclusion in the Offering Memorandum prepared by the Company for the issuance and the admission of ordinary notes to the Irish Stock Exchange:

- Consolidated balance sheet presented herein classifies assets and liabilities on the basis of their liquidity, where (i) non-current assets comprise those assets realizable after twelve month from the date

and include mainly property, plant and equipment, intangible assets and investments; (ii) current assets comprise those assets realizable within twelve month from the reporting date; (iii) non-current liabilities comprise the payables due after twelve month from the reporting date, including financial liabilities, provisions for risks and charges and employee termination indemnities; and (iv) current liabilities comprise the payables due within twelve month of the reporting date, including the current portion of medium and long term loans, provisions for risks and charges and of employee termination indemnities;

- consolidated income statement classifies costs by nature. Furthermore in accordance with the Italian General Accounting Principles the income statement separates the recurring income and expenses from the non-recurring income and expenses;
- consolidated statements of cash flows have been prepared on the basis of the indirect method distinguishing between cash flows from operating, investing and financing activities.

3. CONSOLIDATION AREA AND BASIS OF CONSOLIDATION

Basis of consolidation

The consolidated financial statements are prepared in accordance with the provisions of the Italian Legislative Decree 127/1991 and those of the accounting standard OIC 17. For the financial statements of consolidated companies, we used the full consolidation method, which consists in aggregating all items for their full amount on a line-by-line basis, accounting for the non-controlling interests in the proper line item in the shareholders' equity and in the consolidated income statement. The companies which balance sheet values, individually or cumulatively, are considered irrelevant with regard to the consolidated financial statements have been excluded from the consolidation area, and they have been evaluated at cost and recognized as "investment in subsidiaries, associates, joint-ventures and other companies".

The main consolidation criteria, consistently applied over the period described herein, are as follows:

- the carrying amount of investments in consolidated companies is eliminated against the corresponding assets and liabilities of subsidiaries, positive differences are allocated, where possible, to the subsidiaries' assets. Any non-attributable residual amount, calculated at the date of acquisition, represents goodwill (the excess of the price paid over the fair value of the net assets acquired) and is recognized as intangible asset and amortized over its estimated useful life;
- all payables, receivables, revenue and costs, including any unrealized profits and losses, deriving from transactions between companies included in the consolidation area are eliminated;
- the balance sheets of foreign subsidiaries expressed in currencies other than the Euro are converted at year-end exchange rates, and their revenue and expenses at the average exchange rates of the year. Exchange differences between the initial conversion of the net assets and the net assets translated using the year-end exchange rates, and differences between average exchange rates and year-end exchange rates for the income statement are accounted to "currency translation reserve".

Foreign exchange rates used for the conversion of financial statements as of December 31, 2013, 2012 and 2011 are as follows:

Currency	As of December 31,			Average exchange rate for the year		
	2013	*2012*	*2011*	*2013*	*2012*	*2011*
AED	5.06539	4.84617	4.75237	4.88	4.71899	5.11258
ALL	140.53	139.686	139.036	140.30	139.014	140.32
ARS	8.9891	6.48641	5.56769	7.28	5.84032	5.74525
AUD	—	—	1.2723	—	—	1.34839
BOB	9.52958	9.18302	8.96385	9.21	8.96193	9.74363
BRL	3.2576	2.7036	2.4159	2.87	2.50844	2.32651
BWP	12.0343	10.2837	9.71579	11.16	9.78824	9.51083
CAD	1.4671	1.3137	1.3215	1.37	1.28421	1.3761
COP	2664.42	2331.23	2510.57	2483.37	2309.61	2569.9
CRC	690.426	674.72	650.974	665.00	646.751	700.115
GBP	0.8337	0.8161	0.8353	0.85	0.810871	0.867884
GTQ	10.8156	10.4281	10.1107	10.441	10.0669	10.8371
HKD	10.6933	10.226	10.051	10.30	9.96626	10.8362
INR	85.366	72.56	68.713	77.93	68.5973	64.8859
KGS	67.8901	62.5348	60.0164	64.334	60.4034	64.1775
KRW	1450.93	1406.23	1498.69	1453.91	1447.69	1541.23
MXN	18.0731	17.1845	18.0512	16.95	16.9029	17.2877
MYR	4.5221	4.0347	4.1055	4.19	3.96725	4.2558
NGR	220.89	206.104	208.165	211.55	204.051	216.901
NPR	135.552	115.817	110.486	124.24	109.592	103.671
PEN	3.85865	3.36777	3.48747	3.59	3.39012	3.83386
PHP	61.289	54.107	56.754	56.43	54.2463	60.2604
PLN	4.1543	4.074	4,458	4.20	4.18474	4.12061
RMB	8.3491	8.2207	8.1588	8.165	8.105230	8.996
RUB	45.325	40.3295	41.765	42.34	39.9262	40.8846
TYR	2.961	2.3551	—	2.53	2.31354	2.33781
USD	1.3791	1.3194	1.2939	1.32	1.28479	1.39196
VEB	8.6774	5.66636	3.35994	8.00	5.51772	3.61456
ZAR	14.566	11.1727	10.483	12.83	10.5511	10.097
RSD	114.791	112.605	—	113.01	113.036	—
RON	4.471	4.4445	—	4.42	4.45931	—
HUF	297.04	292.3	—	296.87	289.249	—

Consolidation area

The consolidated financial statements include the financial statements of the Parent Company and those of the entities included in the consolidation area. The reporting date is December 31; there are no differences in the closing dates of the financial statements of the companies belonging to the Group. The entities consolidated using the line-by-line method as of December 31, 2013, 2012 and 2011 are the followings:

2013

NAME	*HEADQUARTERS*	*SHARE CAPITAL*		SHAREHOLDING QUOTA	
				Direct	*Indirect*
- A. Bianchini Ingeniero S.A.	Spain	€	6,500,000	53.957	
- Bianchini Unipessoal LDA	Portugal	€	10,000		53,957
- BMD Texteis Ltda	Brazil	BRL	19,928,244		99.955
- Clean Air Inc	USA	USD	1,300,000	100	
- Consorzio Maccaferri Progetto Venezia	Italy	€	10,000	76.12	
- Double Twist Products Pty Ltd	Botswana	BWP	3,796,000	70.00	
- Elas Geotecnica Srl	Italy	€	100,000	75.00	
- Epitropic Fibres Ltd	United Kingdom	GBP	1		100
- Fator Ambiental Ltda	Brazil	BRL	1,087,000		99.955
- Land Rehabilitation Systems Pty Ltd	South Africa	ZAR	1,000		70.00
- Linear Composites Ltd.	United Kingdom	GBP	2		100
- Maccaferri de Argentina S.A	Argentina	ARS	4,268,998	98.00	0.2
- Maccaferri Nepal PVT LTD	Nepal	NPR	70,196,000	70.00	
- Maccaferri (Changsha) Enviro-tech Co. Ltd	China	RMB	16,626,246		80.00
- Maccaferri (IRL) Ltd.	Ireland	€	1		100
- Maccaferri (Malaysia) SDN BHD	Malaysia	MYR	7,620,000	100	
- Maccaferri (Tianjin) Enviro-tech Co. Ltd	China	RMB	30,707,812		46.024
- Maccaferri (Tianjin) Fibers Co. Ltd.	China	RMB	52,329,975		57.53
- Maccaferri (Tianjin) Geosyntetics Co. Ltd.	China	RMB	12,673,886		57.53
- Maccaferri Asia Ltd.	China	HKD	109,280,000	57.53	
- Maccaferri b.v.b.a.	Belgium	€	100,000	99.9	0.1
- Maccaferri Balkans Sh. P.K.	Albania	ALL	306,000,000	51.00	
- Maccaferri Canada LTD	Canada	CAD	2,262,125		100
- Maccaferri Central Europe S.RO.	Slovakia	€	1,040,132	100	
- Maccaferri China (Hong Kong)	China	HKD	16,599,800	80.00	
- Maccaferri Construction Ltd	United Kingdom	GBP	2		100
- Maccaferri Construction S.A. C.	Perù	PEN	500,000		100
- Maccaferri de Bolivia LTDA	Bolivia	BOB	18,290,200	99.999	
- Maccaferri de Centro America Ltda	Costarica	CRC	772,500	100	
- Maccaferri de Colombia Ltda	Colombia	COP	441,049,820		100
- Maccaferri de Ecuador	Ecuador	USD	95,000		100
- Maccaferri de El Salvador S. A. de C.V.	El Salvador	USD	102,000		100
- Maccaferri de Guatemala S.A.	Guatemala	GTQ	702,986		100
- Maccaferri de Mexico S.A. De C.V.	Mexico	MXN	27,369,496	99.998	0.002
- Maccaferri de Panama S.A.	Panama	USD	10,000		100
- Maccaferri de Perù S.A.C.	Perù	PEN	2,774,348	75.00	
- Maccaferri de Venezuela S.A	Venezuela	VEF	221,374	100	
- Maccaferri Deutschland Gmbh	Germany	€	200,000		100
- Maccaferri do Brasil Holding Partecipacoes Empresariais e Imobiliarias LTDA	Brazil	BRL	19,410,000	51.126	
- Maccaferri do Brasil Incorporacoes Imobiliarias Ltda	Brazil	BRL	2,937,691	99.955	
- Maccaferri do Brasil Ltda	Brazil	BRL	52,290,040	99.955	
- Maccaferri Environmental Solution D.O.O.	Serbia	RSD	16,649,997	100	

NAME	HEADQUARTERS	SHARE CAPITAL		SHAREHOLDING QUOTA	
				Direct	Indirect
- Maccaferri Environmental Solutions PVT Ltd	India	INR	629,682,100	100	
- Maccaferri Gabions CIS	Russia	RUB	181,728,692	54.66	
- Maccaferri Gabions Central Asia	Kirghizistan	KGS	450,000		54.66
- Maccaferri Hellas Sole Partner LLC.	Greece	€	330,000	100	
- Maccaferri Inc.	USA	USD	8,813,725	100	
- Maccaferri Indonesia P.T.	Indonesia	USD	4,000,000	80.00	
- Maccaferri Industria e Comercio de Artefatos Plasticos Ltda	Brazil	BRL	11,920,800		30.676
- Maccaferri LTD	United Kingdom	GBP	1,020,000	100	
- Maccaferri Magyarorszag Kft	Hungary	HUF	21,000,000		100
- Maccaferri Middle East LLC	United Arab Emirates	AED	300,000	49.00	
- Maccaferri Philippine Manufacturing Inc.	The Philippines	PHP	148,254,001	53.701	
- Maccaferri Philippines Inc.	The Philippines	PHP	25,000,000	75.00	
- Maccaferri Polska Sp Z.O.O.	Poland	PLN	90,000		100
- Maccaferri Romania Srl	Rumania	RON	500,000		65.00
- Maccaferri SA PTY LTD	South Africa	ZAR	58,207,900	56.200	
- Maccaferri Servicios S.A. de C.V.	Mexico	MXN	50,000	99.80	0.2
- Macservice Servicios de Enghenharia LTDA	Brazil	BRL	1,936,998	0.121	99.834
- Officine Maccaferri Nigeria Ltd.	Nigeria	NGN	40,000,000	100	
- Officine Maccaferri S.p.A.	Italy				—
- S.A.S. France Maccaferri	France	€	1,500,000	100	
- Servicios de Ingeneria Maccaferri SA	Costarica	CRC	1,000,000		99.995
- Shareholding through SIFIR S.r.l	France	€	37,000	80.00	
- Shareholding through SIFIR S.r.l	France	€	64,000		80.00
- Shareholding through SIFIR S.r.l	Italy	€	119	80.00	
- SUN-B Maccaferri Co. Ltd	South Korea	KRW	1,865,500,012	50.00	
- Tekno Maccaferri Cerve Teknolojilieri	Turkey	TRY	6,000,000	50.00	
- Santos Mouta Porto Ltda	Portugal	€	250,000		53.957

Changes in the consolidation area

During the year 2013 the following changes took place:

- Inclusion of the company Bianchini Unipessoal LDA (Portugal), established in April 2013, which performs marketing activities for double-torsion and geosynthetics products;
- Inclusion of the company Maccaferri Environmental Solution D.O.O. (Serbia) established in the first quarter of 2013 which advertises the double-torsion and geosynthetics products in the local market;
- Inclusion of the Company Maccaferri Magyarorszag Kft (Hungary) established in February 2013, which carries out marketing activities for all of the products in the Group’s portfolio;
- Inclusion of the Company Maccaferri Romania Srl (Romania) established in January 2013, which performs marketing activities for all of the products in the Group’s portfolio;
- Inclusion of the Company Maccaferri de Panama S.A., which performs marketing activities for all of the products in the Maccaferri’s portfolio.

2012

NAME	HEADQUARTERS	SHARE CAPITAL		SHAREHOLDING QUOTA (%)	
				Direct	Indirect
- A. Bianchini Ingeniero S.A.	Spain	€	6,500,000	53.957	
- BMD Texteis Ltda	Brazil	BRL	15,319,812		99.954
- Clean Air Inc	USA	USD	1,300,000	100	
- Consorzio Maccaferri Progetto Venezia	Italy	€	10,000	76.12	
- Double Twist Products Pty Ltd	Botswana	BWP	3,796,000	70	
- Elas Geotecnica Srl	Italy	€	100,000	55	
- Epitropic Fibres Ltd	United Kingdom	GBP	1	100	
- Fator Ambiental Ltda	Brazil	BRL	1,087,000		99.955
- Geotim Sp Z.O.O.	Poland	PLN	90,000		100
- Land Rehabilitation Systems Pty Ltd	South Africa	ZAR	1,000		70
- Linear Composites Ltd.	United Kingdom	GBP	2		100
- Maccaferri de Argentina S.A	Argentina	ARS	650,000	98	
- Maccaferri Nepal PVT LTD	Nepal	NPR	70,196,000	70	
- Maccaferri (IRL) Ltd.	Ireland	€	1		100
- Maccaferri (Malaysia) SDN BHD	Malaysia	MYR	7,620,000	100	
- Maccaferri (Tianjin) Enviro-Tech Co. Ltd	China	RMB	30,707,812		46.024
- Maccaferri (Tianjin) Fibers Co. Ltd.	China	RMB	52,329,975		57.53
- Maccaferri (Tianjin) Geosyntetics Co. Ltd.	China	RMB	12,673,886		57.53
- Maccaferri Asia Ltd.	China	HKD	109,280,000	57.53	
- Maccaferri b.v.b.a.	Belgium	€	100,000	99.9	0.1
- Maccaferri Balkans Sh. P.K.	Albania	ALL	306,000,000	51	
- Maccaferri Canada LTD	Canada	CAD	2,262,125	100	
- Maccaferri Central Europe S.RO.	Slovakia	€	1,040,132	100	
- Maccaferri (Changsha) Enviro-tech Co. Ltd	China	RMB	16,626,246		80
- Maccaferri Construction Ltd	United Kingdom	GBP	2		100
- Maccaferri Construction S.A. C.	Perù	PEN	500,000		100
- Maccaferri de Bolivia LTDA	Bolivia	BOB	7,221,090	99.999	
- Maccaferri de Centro America Ltda	Costarica	CRC	772,500	100	
- Maccaferri de Colombia Ltda	Colombia	COP	441,049,810		99.948
- Maccaferri de Ecuador	Ecuador	USD	5,000		100
- Maccaferri de El Salvador S. A. de C.V.	El Salvador	USD	102,000		100
- Maccaferri de Guatemala S.A.	Guatemala	GTQ	702,986		100
- Maccaferri de Mexico S.A. De C.V.	Mexico	MXN	27,369,496	99.998	0.002
- Maccaferri de Perù S.A.C.	Perù	PEN	2,774,348	75	
- Maccaferri de Venezuela S.A	Venezuela	VEF	221,374	100	
- Maccaferri Deutschland Gmbh	Germany	€	200,000		100
- Maccaferri do Brasil Holding Partecipacoes Empresariais e Imobiliarias LTDA	Brazil	BRL	19,410,000	51.126	
- Maccaferri do Brasil Incorporacoes Imobiliarias Ltda	Brazil	BRL	2,937,691	99.955	
- Maccaferri do Brasil Ltda	Brazil	BRL	52,290,040	99.955	
- Maccaferri Environmental Solutions PVT Ltd	India	INR	629,682,100	100	
- Maccaferri Gabions CIS	Russia	RUB	181,728,692	54.66	
- Maccaferri Gabions Central Asia	Kirghizistan	KGS	450,000		54.66
- Maccaferri Hellas Sole Partner LLC.	Greece	€	330,000	100	
- Maccaferri Hong Kong	China	HKD	16,599,800	80	
- Maccaferri Inc.	USA	USD	8,813,725	100	
- Maccaferri Indonesia P.T.	Indonesia	USD	4,000,000	80	
- Maccaferri Industria e Comercio de Artefatos Plasticos Ltda	Brazil	BRL	6,000,000	0.025	51.113
- Maccaferri LTD	United Kingdom	GBP	1,020,000	100	
- Maccaferri Middle East LLC	United Arab Emirates	AED	300,000	49	
- Maccaferri Philippine Manufacturing Inc.	The Philippines	PHP	8,322,000	100	

NAME	*HEADQUARTERS*	*SHARE CAPITAL*		SHAREHOLDING QUOTA (%)	
				Direct	*Indirect*
- Maccaferri Philippines Inc.	The Philippines	PHP	8,700,000	75	
- Maccaferri SA PTY LTD	South Africa	ZAR	58,207,900	56.2	
- Maccaferri Servicios S.A. de C.V.	Mexico	MXN	50,000	99.8	0.2
- Macservice Servicios de Enghenharia LTDA	Brazil	BRL	1,236,998	0.121	99.834
- Officine Maccaferri Nigeria Ltd.	Nigeria	NGN	30,491,928	100	
- Officine Maccaferri S.p.A.	Italy				—
- S.A.S. France Maccaferri	France	€	2,000,000	100	
- Santos Mouta Porto Ltda	Portugal	€	250,000		53.957
- Servicios de Ingeneria Maccaferri SA	Costarica	CRC	1,000,000		100
- Shareholding through SIFIR S.r.l	France	€	37,000	80	
- Shareholding through SIFIR S.r.l	France	€	64,000		80
- Shareholding through SIFIR S.r.l	Italy	€	154,800	80	
- SUN-B Maccaferri Co. Ltd	South Korea	KRW	1,865,500,012	50	
- Tekno Maccaferri Cerve Teknolojilieri	Turkey	TRY	6,000,000	50	

Changes in the consolidation area

During the year 2012 the following changes took place:

- Inclusion of Tekno Maccaferri Cerve Teknojilieri (Turkey), established in March 2012 which carries out production activities of double-torsion products and marketing activities for all of the products in the Maccaferri's portfolio;
- Inclusion of Maccaferri Philippines Manufacturing Inc. (The Philippines), established at the end of 2012; in 2013 the subsidiary will commence the production of double-torsion and rockfall products;
- Inclusion of Maccaferri do Brasil Incorporacoes Imobiliarias Ltda (Brazil), established on December 31, 2012 from the spin-off of Maccaferri do Brasil Ltda;
- Inclusion of Maccaferri Industria e Comercio de Artefatos Plasticos Ltda (Brazil) which will be engaged in the production of geosynthetic products and marketing activities;
- Inclusion of Santos Mouta Porto Ltda (Portugal), purchased at the end of 2012 and which performs marketing activities of the Maccaferri products in the double-torsion sector. For the year ended December 31, 2012 this inclusion impacted only on the consolidated balance sheet figures;
- Deconsolidation of Arenaria S.r.l. and of its subsidiary Prama S.r.l. as a consequence of the sale to SECI.

2011

NAME	HEADQUARTERS	SHARE CAPITAL		SHAREHOLDING QUOTA (%)	
		Currency	Amount	Direct	Indirect
- A. Bianchini Ingeniero S.A.	Spain	€	6,500,000	53.957	
- Arenaria S.r.l.	Italy	€	100,000	51	
- BMD Texteis Ltda	Brazil	BRL	14,725,121		99.952
- Clean Air Inc	USA	USD	1,350,000	100	
- Coastal Protection System S.r.l.	Italy	€	100,000	55	
- Consorzio Maccaferri Progetto Venezia	Italy	€	10,000	51	
- Double Twist Products Pty Ltd	Botswana	BWP	3,796,000	70	
- Elas Geotecnica Srl	Italy	€	100,000	55	
- Epitropic Fibres Ltd	United Kingdom	USD	1	100	
- Fator Ambiental Ltda	Brazil	BRL	1,087,000		99.953
- G. Maccaferri Lda	Portugal	€	60,000		88.029
- Geotim Sp Z.O.O.	Poland	PLN	90,000		100
- Land Rehabilitation Systems Pty Ltd	South Africa	ZAR	1,000		70
- Linear Composites Ltd.	United Kingdom	GBP	2		100
- Maccaferri de Argentina S.A	Argentina	ARS	650,000	98	

NAME	HEADQUARTERS	SHARE CAPITAL		SHAREHOLDING QUOTA (%)	
		Currency	Amount	Direct	Indirect
- Maccaferri do Brasil Ltda	Brazil	BRL	53,346,004	99.953	
- Maccaferri Nepal PVT LTD	Nepal	NPR	70,196,000	70	
- Maccaferri (IRL) Ltd.	Ireland	€	1		100
- Maccaferri (Malaysia) SDN BHD	Malaysia	MYR	7,620,000	100	
- Maccaferri (Tianjin) Enviro-Tech Co. Ltd	China	RMB	30,707,812		46.024
- Maccaferri (Tianjin) Fibers Co. Ltd.	China	RMB	27,040,200		57.53
- Maccaferri (Tianjin) Geosyntetics Co. Ltd.	China	RMB	10,154,526		57.53
- Maccaferri Asia Ltd.	China	HKD	109,280,000	57.53	
- Maccaferri b.v.b.a.	Belgium	€	100,000	99.9	0.1
- Maccaferri Balkans Sh. P.K.	Albania	ALL	306,000,000	51	
- Maccaferri Canada LTD	Canada	CAD	2,262,125	100	
- Maccaferri Central Europe S.RO.	Slovakia	€	1,040,132	100	
- Maccaferri (Changsha) Enviro-tech Co. Ltd	China	RMB	16,626,246		80
- Maccaferri Construction Ltd	United Kingdom	GBP	2		100
- Maccaferri Construction S.A. C.	Perù	PEN	500,000		100
- Maccaferri de Bolivia LTDA	Bolivia	BOB	7,221,090	99.999	
- Maccaferri de Centro America Ltda	Costarica	CRC	772,500	100	
- Maccaferri de Colombia Ltda	Colombia	COP	441,049,820		99.948
- Maccaferri de Ecuador	Ecuador	USD	5,000		100
- Maccaferri de El Salvador S. A. de C.V.	El Salvador	USD	102,000		100
- Maccaferri de Guatemala S.A.	Guatemala	GTQ	702,986		99.929
- Maccaferri de Mexico S.A. De C.V.	Mexico	MXN	27,369,496	99.998	0.002
- Maccaferri de Perù S.A.C.	Perù	PEN	2,774,348	75	
- Maccaferri de Venezuela S.A	Venezuela	VEF	221,374	100	
- Maccaferri Deutscheland Gmbh	Germany	€	100,000		100
- Maccaferri do Brasil Holding Partecipacoes empresariais e imobiliarias LTDA	Brazil	BRL	9,590,000	51.26	
- Maccaferri Enviromental Solutions PVT Ltd	India	INR	629,682,100	100	
- Maccaferri Gabions CIS	Russia	RUB	13,568,692	100	
- Maccaferri Gabions Central Asia	Kirghizistan	KGS	450,000		100
- Maccaferri Hellas Sole Partner LLC.	Greece	€	330,000	100	
- Maccaferri Hong Kong	China	HKD	16, 599,800	80	
- Maccaferri Inc.	USA	US$	8,813,725	99.876	
- Maccaferri Indonesia P.T.	Indonesia	USD	4,000,000	80	
- Maccaferri LTD	United Kingdom	GBP	1,020,000	100	
- Maccaferri Middle East LLC	United Arab Emirates	AED	300,000	49	
- Maccaferri Philippines Inc.	The Philippines	PHP	8,700,000	75	
- Maccaferri SA PTY LTD	South Africa	ZAR	58,207,900	56.2	
- Maccaferri Servicios S.A. de C.V.	Mexico	MXN	50,000	99.8	0.2
- Macservice Servicios de Enghenharia LTDA	Brazil	BRL	150,000		99.953
- Officine Maccaferri Nigeria Ltd.	Nigeria	NGN	19,902,527	100	
- Officine Maccaferri S.p.A.	Italy				
- Partecipazione a mezzo SIFIR S.r.l	Italy	€	154,800	80	
- Prama S.r.l.	Italy	€	100,000		51
- S.A.S.France Maccaferri	France	€	2,000,000	100	
- Servicios de Ingeneria Maccaferri SA	Costarica	CRC	3. 711		100
- Shareholding through SIFIR S.r.l	France	€	37,000	80	
- Shareholding through SIFIR S.r.l	France	€	64,000		80
- SUN-B Maccaferri Co. Ltd	South Korea	KRW	1,865,500,012	50	

4. ACCOUNTING STANDARDS AND POLICIES

Basis of preparation

The evaluation criteria adopted in the preparation of these consolidated financial statements are those used by the Parent Company, and have been prepared in conformity with the criteria set forth by the relative legislation in force, integrated and interpreted on the basis of the Accounting Principles issued by the National Boards of Dottori Commercialisti and of Esperti Contabili, by the Italian Accounting Body (OIC).

Items shown in the financial statements have been valued in accordance with the general criteria of prudence and competence, and accounts have been prepared on a going concern basis, in particular:

- the prudence criteria implies that gains not realized should not be recorded while losses, also if unrealized, must be recognized in the financial statements;
- the accrual basis requires that the effect of transactions and other events are accounted for in the period to which they refer rather than when they occurred (i.e. collections or payments);

Furthermore, in the preparation of the consolidated financial statements the accounting standards and main criteria were applied consistently to ensure comparability over the years.

Exemptions

No exemptions from the application of the evaluation criteria established by the legislation in force regarding the consolidated financial statements have been made in the current nor past financial years.

The most significant accounting policies adopted in the preparation of the consolidated financial statements are the following:

Intangible assets

Intangible assets are initially recognized at historical or production cost and stated net of the accumulated amortization.

Start-up and expansion costs are capitalized, when their useful life extends beyond one year, subject to the approval of the Statutory Auditors Board, and amortized over the period of their economic life, and however no longer than five years.

The development costs are capitalized when economic benefits for the Group are expected from the projects, subject to the approval of the Statutory Auditors Board, and they are amortized at the lower between five years and the expected useful life.

Industrial patent rights and the right to use intellectual property are amortized based on their estimated useful lives, and however no longer than the period stated by the licensing contract.

Concessions, licenses, trademarks and similar rights are amortized on the basis of their estimated useful life.

Amortization of the intangible assets is calculated on a straight line basis over the estimated useful lives of the related assets, as it follows:

Category	*Rate*
Software	3 years
Goodwill	20 years
Trademarks	5 years
Patents	5 years
Concessions	5 years
Start-up costs	5 years
Development costs	lower between 5 years and useful life
Leasehold improvements	over the remaining life of the lease term

The value of intangible assets is amortized on a straight-line basis over their estimated useful lives. Intangible assets and the other assets-side components are impaired every time impairment loss is found; the original value is re-instated when the reason for the previous impairment have disappeared.

The goodwill arisen from the difference between cost paid for the acquisition and fair-value of assets and liabilities acquired inside a business combination, are amortized over a period which takes into account the estimated duration of the investments, generally equal to 20 years in the light of the proven stability of the investments undertaken by the Group.

Intangible assets under development and advances include the costs related to project still to be completed at the reporting date and advances to suppliers for the acquisition of intangible assets. Intangible assets under development and advances are initially recognized at historical cost and not amortized until the completion of the project, when they are reclassified to the proper category within the intangible assets.

The intangible assets whose economic value on the reporting date is persistently lower than cost, amortized according to the above criteria, are written-down to the extent of their economic value. If the reason determining such write-down disappear, the cost is re-instated.

Property, plant and equipment

Property, plant and equipment are initially stated at cost net of depreciation. The initial recognition value is increased by directly attributable costs and decreased by any commercial and financial discounts.

Depreciation of property, plant and equipment is calculated on a straight line basis over the estimated useful economic-technical lives of the related assets, as indicated below:

Category	***Rate***
Buildings	3%
Light constructions	10%
Plant and machinery	6.67% - 10% - 20%
Industrial and Commercial Equipment	10%
Other:	
Furniture and office equipment	10% - 12%
Electromechanical and electronic machines	33.33%
Motor vehicles and internal means of transport	10%
Cars	25%

The value of property, plant and equipment is amortized on a straight-line basis over their estimated useful lives. Property, plant and equipment and the other assets-side components are impaired every time impairment loss is found; the original value is re-instated when the reason for the previous impairment have disappeared.

Depreciation rates applied are consistent with those applied in prior years.

Property, plant and equipment with purchase cost lower than Euro 516,46 are directly expensed in the income statement in the year when the purchase occurs.

Maintenance costs, given their ordinary nature, are entirely expensed in the income statement when incurred. The costs relating to actions of an incremental nature are attributed to the asset they refer to and depreciated over their useful lives.

Assets in progress and advances include the costs related to project still to be completed at the reporting date and advances to suppliers for the acquisition of intangible assets. Fixed assets in progress and advances are initially recognized at historical cost and not amortized until the completion of the project, when they are reclassified to the proper category within the property, plant and equipment.

Whenever a permanent loss in value of property, plant and equipment is ascertained, the asset is written-down accordingly; if in subsequent years the conditions for the write-down no longer exist, the write-down is reversed, up to the carrying amount of the assets adjusted only for depreciation.

With regard to property, plant and equipment used in force of financial lease contracts Italian GAAP allow the application of the rules provided by the International Accounting Standards IAS 17 *"Leases"* in the preparation of the consolidated financial statements, therefore the Group accounted for according to the so-called "financial methods" that considers the finance lease as borrowings aimed to purchase non-current assets, and accordingly the initial cost of assets under a finance lease is recognized as property, plant and equipment and depreciated in line with the related rates, and the liability related to the relative future payments is recognized as financial liabilities.

Investments in subsidiaries associated companies and other investments

Investment in subsidiaries that are not part of the consolidation area and other investments are valued at cost, net of any loss considered permanent.

Investments in associates are accounted for under the equity method.

Interests in non-current assets are recognized at the acquisition cost or underwriting cost, net of any impairment loss.

Inventories

Raw materials, semi-finished and finished products are recognized at the lower of the purchase or production cost and the estimated realizable market value. The Group measures inventories using the weighted-average method. Work in progress are measured at their realizable value, calculated in relation to the percentage of completion agreed with the customer. The related recognition of revenue are recorded using the stage completion method: the ratio between actual costs and total forecasted costs is applied to the total planned revenue.

Raw materials, semi-finished and finished products value is reduced by specific provisions to take into account any loss in value for obsolete or slow-moving products, and to not exceed the cost of replacement or the net realizable value, represented by the market value.

Trade Receivables and other receivables

Receivables are reported at nominal value and adjusted to their presumed realizable value through a specific allowance for doubtful accounts.

Cash and cash equivalent

Cash and cash equivalents, that comprise bank deposits, cheques and cash on hands, are stated at their nominal value and represent the actual amount available at the reporting date.

Accruals and deferrals

Accruals and deferrals are recorded on a temporal basis of the costs and revenues which are attributable to more than one period.

Provision for risks and charges

Provisions for risk and charges are recorded against specific, certain or likely to be incurred losses or amounts payable which, at the date of the financial statements, are uncertain as to amount or to the date on which they will arise. Provisions reflect the best possible estimate on the basis of the information available. Contingencies whose likelihood is estimated to be only possible are disclosed in the explanatory notes, and no provision for risks and charges is recorded.

Provisions for pensions and similar provision related to certain foreign companies represent the liability related to post-retirement plans in accordance with local legislations.

Employees' termination indemnity

Employees' termination indemnity represents the amounts accrued for each employee at the end of the year, in compliance with Italian civil and labor laws and based on each employee's length of service, employment category and remuneration, then annually adjusted on the basis of the cost of living index provided by the Italian Government. It represents the amount that would have been paid to each employee, provided the employment would have been terminated at the reporting date.

Trade payables and other payables

Payables are recorded at nominal value, considered to be representative of their redemption value.

Recognition of revenues and expenses

Revenues are recorded to the extent it is likely that the Group will attain economic benefits and their amount is determinable in a reliable manner. Revenues are represented on a net basis after deducting discounts, coupons and returns. The revenue from the sales of products are recognized when the right of ownership on the relevant goods is transferred, which normally occurs at the moment of their delivery or shipment (based on contractual terms). Revenues for services are recognized on an accrual basis, depending upon the moment in which the services are performed.

Revenues and costs relating to operations in foreign currency are determined by the current exchange rate on the date in which the relevant operation is carried out.

Financial income and expenses

Financial income and expenses are recognized based on their occurrence.

Non-recurring income and expenses

Non-recurring income and expenses relate to transaction for which the source of income or expense is related to the non-core activities of the Company. They mainly refer to gains and losses and non-recurring income and expenses deriving from transactions not related to the core-business of the company, income and expenses related to previous periods, restructuring costs and the economic effects of any variation in the accounting principles applied.

Income and deferred taxes

Income taxes are recorded according to the accrual principle, being the income taxes paid or to be paid during the reporting period, determined based on the rates and legal provisions in force at the reporting date.

Deferred tax assets and liabilities are calculated using the average theoretical tax rate at the reporting period in which the related temporary differences will be reversed.

The assessment of expected future taxable income, for the purpose of recognizing deferred tax assets depends on factors which may vary over time and may have significant effects on the recognition of deferred tax assets.

Deferred tax assets are recognized to the extent that there is a reasonable certainty of their recoverability.

Accounting of items denominated in foreign currency

Receivables and payables denominated in currencies other than the Euro are recorded on the basis of the exchange rates at the date of the transaction was realized and are then adjusted at year-end exchange rates. Exchange gains and losses are recorded in the income statement under the figure "gains /(losses) on exchange rate".

Should the receivables or payables value be ensured by a hedging instrument, their evaluation is performed on the basis of the spot exchange rate stated by the related hedging instrument.

Gains and losses realized at the time of the collection of the receivables or at the payment of payables of items denominated in foreign currency are recognized in the income statement.

Derivative contracts entered for hedging interest rate risk

The Parent Company entered into derivative contracts to hedge the risk of interest rate fluctuations.

Additionally some of the Group's subsidiaries has in place derivative contracts to hedge the risk of foreign currency exchange rate fluctuations on specific transactions.

In accordance with articles 2427-bis and 2428 no.6-bis of the Italian Civil Code and by the Italian Accounting Body (OIC) no.3 information of the fair value of derivative financial instruments is disclosed in the "Memorandum accounts''.

Commitment, guarantees and risks

Commitments and guarantees granted are disclosed in memorandum accounts at their residual contractual value.

For risks out of which it is certain or likely that a liability will arise proper allocations to provisions for risks and charges are made.

Risks out of which the likelihood that a liability may arise is possible are disclosed in the notes to the consolidated financial statements, without recording any provision.

5. FINANCIAL RISK MANAGEMENT

Exchange rate risk

A significant part of the Group's transactions are in currencies other than Euro. To mitigate the risk the Group entered into some currency forward contracts, and opened currents accounts in currencies other than Euro that the Group aims to hedge. Details on contracts undersigned, including the notional value of currency hedged and the relative fair value at the reporting date are disclosed in the "Memorandum accounts" section.

Credit risk

The Group is exposed to credit risk, especially in Italy, The credit risk is managed through the sale of trade receivable to factoring companies or through specific guarantees received on the supplies delivered. The detail of the trade receivables sold with recourse and not yet collected by the factoring companies at the reporting date are disclosed in the "Memorandum accounts".

The Group minimizes credit risk through controls implemented and constantly monitoring of receivables, with specific personnel dedicated to this matter.

Commodity price risks

The Group is exposed to commodity price risks, mainly in connection with the purchase of steel and its derivatives; to mitigate this risk the Group aims to the optimization of the purchase and the inventory.

Liquidity risk

This risk relates to the Group's ability to meet its obligations arising from financial liabilities. The Group's approach to liquidity management is to ensure adequate funds are always available to cover its obligations at the expiration dates, both in normal conditions and at times of financial difficulty, without incurring borrowing expense at terms higher than market conditions. The Group generally ensures there is sufficient cash and cash equivalents to cover forecast short-term operating expenses, including those related to financial liabilities. Contingent effects following extreme situations that cannot reasonably be forecast, such as natural disasters, are excluded from the above.

NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet for the years ended December 31, 2013, 2012 and 2011 are presented below.

6. INTANGIBLE ASSETS

The following table sets forth the breakdown and the movements of the intangible assets as of and for the year ended December 31, 2013, 2012 and 2011:

In thousand of Euro	Start up and expansion costs	Development costs	Industrial patent rights and rights to use intellectual properties	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible assets under development and advances	Other	Total intangible assets
Historical costs	564	733	1,693	7,208	16,959	1,458	684	29,299
Cumulated Amortization	(233)	(395)	(1,614)	(2,678)	(2,480)	0	(369)	(7,769)
Carrying amount as of January 1, 2011	**331**	**338**	**79**	**4,530**	**14,479**	**1,458**	**315**	**21,530**
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	100	237	88	1	2,814	0	584	3,825
Acquisition and internal constructions	0	620	0	791	200	182	244	2,037
Disposals	0	(33)	(12)	(55)	0	(200)	(18)	(318)
Reclassification and other movements	0	0	(1)	132	0	(177)	(4)	(50)
Current year amortization	(142)	(312)	(55)	(1,456)	(1,033)	0	(202)	(3,200)
Exchange rate differences	4	1	0	(90)	0	1	(6)	(90)
Total current year variation	**(37)**	**513**	**20**	**(677)**	**1,981**	**(194)**	**598**	**2,204**
Historical costs	813	1,636	1,896	7,543	20,044	1,264	1,657	34,853
Cumulated Amortization	(519)	(785)	(1,797)	(3,689)	(3,583)	0	(745)	(11,118)
Carrying amount as of December 31, 2011	**294**	**851**	**99**	**3,853**	**16,460**	**1,264**	**913**	**23,734**
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	(7)	(45)	0	(1,274)	(1,113)	(171)	(537)	(3,146)
Acquisition and internal constructions	0	322	6	1,255	0	30	419	2,032
Disposals	0	(0)	(0)	(76)	0	0	0	(76)
Reclassification and other movements	(3)	0	0	73	(13)	(29)	7	35
Current year amortization	(102)	(288)	(33)	(1,164)	(1,020)	0	(250)	(2,857)
Exchange rate differences	(0)	(1)	0	(19)	1	(0)	4	(15)
Total current year variation	**(113)**	**(13)**	**(27)**	**(1,204)**	**(2,145)**	**(170)**	**(357)**	**(4,028)**
Historical costs	793	1,742	1,902	6,790	18,511	1,094	1,204	32,036
Cumulated Amortization	(611)	(904)	(1,830)	(4,140)	(4,196)	0	(648)	(12,330)
Carrying amount as of December 31, 2012	**181**	**838**	**72**	**2,650**	**14,315**	**1,094**	**556**	**19,706**
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	0	0	0	0	1,128	0	0	1,128
Acquisition and internal constructions	52	289	2	655	0	123	413	1,535
Disposals	0	(19)	0	(64)	0	0	(125)	(209)
Reclassification and other movements	2	(0)	0	0	0	0	(4)	(2)
Current year amortization	(84)	(350)	(10)	(1,058)	(1,062)	0	(163)	(2,727)
Exchange rate differences	0	(1)	0	(169)	0	0	(52)	(221)
Total current year variation	**(29)**	**(81)**	**(8)**	**(636)**	**66**	**123**	**69**	**(496)**
Historical costs	894	2,078	246	6,922	19,931	1,217	1,147	32,435
Cumulated Amortization	(742)	(1,320)	(181)	(4,908)	(5,550)	0	(523)	(13,225)
Carrying amount as of December 31, 2013	**152**	**758**	**65**	**2,014**	**14,381**	**1,217**	**624**	**19,210**

Goodwill

As of December 31, 2013 the goodwill amounted to Euro 14,381 thousand, showing an increase of Euro 66 thousand compared to December 31, 2012. This increase was mainly due to the Euro 1.110 thousand goodwill arisen from the acquisition of a further 20% of Elas Geotecnica s.r.l., partially offset by the amortization of the year for Euro 1,062 thousand.

As of December 31, 2012 the goodwill amounted to Euro 14,315 thousand, showing a decrease of Euro 2,145 thousand compared to December 31, 2011. This decrease was mainly due to the deconsolidation of the subsidiary Arenaria s.r.l. (Euro 1.5 million as of December 31, 2011) and the amortization of the year (Euro 1,020 thousand).

Development costs

As of 31 December 2013 development costs amounted to Euro 758 thousand, showing a decrease of Euro 81 thousand compared to December 31, 2012 (Euro 838 thousand); such change was mainly due to the amortization of the year that more than offset the Euro 289 thousand additions related to certain projects, such as the definition of the environmental impact of the double-torsion steel wires products (carbon footprint), and the study for the development of a production facility of "artificial stones", particularly relevant in area where the availability of stones is inadequate (i.e. India and China).

As of 31 December 2012 development costs amounted to Euro 838 thousand, showing a slight decrease of Euro 13 thousand compared to the previous year (Euro 851 thousand at 31 December 2011); this change was mainly due to the combined effect of the following: (i) the Euro 322 thousand increase of development expenses mainly related to projects for the development of new products in the sectors of tunnel, aquaculture, gabions and rockfall protection, (ii) the Euro 45 thousand decrease due to the deconsolidation of Arenaria s.r.l. and Prama s.r.l. and (iii) the amortization of the year (Euro 288 thousand).

Concessions, licenses, trademarks and similar rights

Concessions, licenses, trademarks and other similar rights amounted to Euro 2,014 thousand as of December 31, 2013, showing a decrease of Euro 636 thousand compared to December 31, 2012 (Euro 2,650 thousand). Such decrease was mainly due to the amortization of the year (Euro 1,058 thousand) and the disposal of certain software (Euro 64 thousand) that more than offset the additions of the years in connection with the acquisition of some SAP implementation projects in several companies of the Group for Euro 0.5 million and the acquisition of the Ekomat brand through the subsidiary Maccaferri Environmental solutions D.O.O.

Concessions, licenses, trademarks and other similar rights amounted to Euro 2,650 thousand as of December 31, 2012, showing a decrease of Euro 1,204 thousand compared to December 31, 2011 (Euro 3,853 thousand). The decrease was mainly due to the amortization of the year (Euro 1,164 thousand), the deconsolidation of Arenaria s.rl. (Euro 1,274 thousand), and the disposal of certain assets for Euro 76 thousand. Such decrease was partially offset by the investments occurred during the year regarding some SAP implementation projects in several companies of the Group for Euro 470 thousand and the acquisition through the subsidiary Maccaferri Malaysia SDN BHD of technological know-how related to the Aquaculture business (Euro 670 thousand).

7. PROPERTY, PLANT AND EQUIPMENT

The following table sets forth the breakdown and the movements of property, plant and equipment as of and for the year ended December 31, 2013, 2012 and 2011:

In thousand of Euro	Lands and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in progress and advances	Total property, plant and equipment
Historical costs	65,536	94,244	2,405	11,031	6,118	179,334
Cumulated Amortization	(11,124)	(45,191)	(1,497)	(6,580)	0	(64,392)
Carrying amount as of January 1, 2010	**54,412**	**49,053**	**908**	**4,451**	**6,118**	**114,942**
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	571	2,358	20	176	12	3,137
Acquisition and internal constructions	3,908	12,450	970	2,962	3,944	24,235
Disposals	(159)	(3,089)	(105)	(130)	(1,976)	(5,459)
Reclassification and other movements	139	1,121	410	(197)	(1,415)	58
Current year depreciation	(1,838)	(6,331)	(270)	(1,189)	0	(9,628)
Exchange rate differences	(2,811)	(1,387)	(16)	(99)	(100)	(4,413)
Total current year variation	**(190)**	**5,122**	**1,009**	**1,523**	**466**	**7,930**
Historical costs	66,739	103,841	3,944	13,144	6,584	194,252
Cumulated Amortization	(12,517)	(49,666)	(2,027)	(7,170)	0	(71,380)
Carrying amount as of December 31, 2011	**54,222**	**54,175**	**1,917**	**5,974**	**6,584**	**122,872**
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	71	(1,335)	0	(19)	0	(1,283)
Acquisition and internal constructions	1,364	8,972	667	1,207	8,251	20,461
Disposals	(207)	(1,659)	(31)	(33)	(1,992)	(3,922)
Reclassification and other movements	1,903	332	445	(217)	(2,464)	(0)
Current year depreciation	(1,871)	(6,707)	(510)	(1,596)	0	(10,684)
Exchange rate differences	(2,537)	(1,424)	0	(113)	(298)	(4,372)
Total current year variation	**(1,276)**	**(1,820)**	**572**	**(772)**	**3,497**	**201**
Historical costs	66,539	101,030	5,600	13,354	10,081	196,604
Cumulated Amortization	(13,593)	(48,675)	(3,112)	(8,151)	0	(73,531)
Carrying amount as of December 31, 2012	**52,946**	**52,355**	**2,489**	**5,202**	**10,081**	**123,073**
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	9	0	11	14	0	34
Acquisition and internal constructions	2,018	11,277	843	1,950	3,159	19,247
Disposals	(840)	(1,031)	(3)	(186)	(698)	(2,757)
Reclassification and other movements	5,449	1,061	1,068	241	(7,944)	(125)
Current year depreciation	(1,535)	(7,126)	(506)	(1,685)	0	(10,853)
Exchange rate differences	(5,350)	(3,615)	(110)	(225)	(904)	(10,204)
Total current year variation	**(250)**	**566**	**1,303**	**109**	**(6,388)**	**(4,659)**
Historical costs	66,330	103,025	7,104	13,997	3,694	194,150
Cumulated Amortization	(13,634)	(50,104)	(3,312)	(8,686)	0	(75,736)
Carrying amount as of December 31, 2013	**52,696**	**52,921**	**3,792**	**5,311**	**3,694**	**118,414**

Land and buildings

As of December 31, 2013 the carrying amount of land and buildings decreased by Euro 250 thousand, from Euro 52,946 thousand as of December 31, 2012 to Euro 52,696 thousand; such decrease was mainly due to the combined effect of the followings: (i) the depreciation of the year for Euro 1,535 thousand, (ii) the disposals of assets (Euro 840 thousand), (iii) the negative exchange rate differences (Euro 5,350 thousand); (iv) the Euro 2,018 thousand additions, mainly related to the improvements to the factory owned by Maccaferri de

Bolivia Ltda (Euro 0.7 million), and (v) the reclassification for Euro 5,449 thousand from assets in progress and advances, following the completion of the new factory plant of Maccaferri (Changsa) Enviro – Tech Co. Ltd (Euro 2.1 million) and of other investments in factories begun in the past years.

As of December 31, 2012 the carrying amount of land and buildings decreased by Euro 1,276 thousand, from Euro 54,222 thousand as of December 31, 2011 to Euro 52,946 thousand; such decrease was mainly due to the combined effect of the followings: (i) the depreciation of the year for Euro 1,871 thousand, (ii) the disposals of assets (Euro 207 thousand), (iii) the negative exchange rate differences (Euro 2,537 thousand), (iv) the Euro 1,364 thousand increase mainly due to the purchase of new offices in the Montornes plant through the subsidiary A. Bianchini Ingeniero S.A. (Euro 0.3 million), and (v) the reclassification from assets in progress and advances for Euro 1,903 thousand,.

It should be noted that as of December 31, 2013, 2012 and 2011 the land and buildings historical costs include Euro 2,852 thousands due to the revaluation made in previous years.

Plant and machinery

Plant and machinery as of December 31, 2013 amounted to Euro 52,921 thousand, increasing by Euro 566 thousand compared to December 31, 2012 (Euro 52,355 thousand). Such increase was mainly due to the additions of the year for Euro 11,277 thousand increase mainly related to the purchase of the geosynthetics production line (Euro 3.7 million), the purchase of the DT 8x10 production line (Euro 1.3 million), the refurbish of the Mac Drain production line (Euro 0.6 million) and the reclassification for Euro 1,061 thousand from assets in progress and advances. These increase were partially offset by the depreciation of the year for Euro 7,126 thousand, the negative exchange rate differences for Euro 3,615 thousand and the disposal of assets for Euro 1,031 thousand

Plant and machinery as of December 31, 2012 amounted to Euro 52,355 thousand, decreasing by Euro 1,820 thousand compared to December 31, 2011 (Euro 54,175 thousand). Such decrease was mainly due to the followings: (i) the depreciation of the year for Euro 6,707 thousand, (ii) the disposal of assets for Euro 1,659 thousand, (iii) the deconsolidation of Prama s.r.l. for Euro 1,335 thousand, (iv) the negative effect of the exchange rate differences (Euro 1,424 thousand), partially offset by (v) the Euro 8,972 thousand additions related to the acquisition of new machines for the set-up of the double-torsion product lines in Bolivia (Euro 1.5 million), the Philippines (Euro 1.6 million) and Turkey (Euro 1.0 million).

Assets in progress and advances

Assets in progress and advances as of December 31, 2013 amounted to Euro 3,694 thousand, decreasing by Euro 6,388 thousand compared to December 31, 2012 (Euro 10,081 thousand). Such decrease was mainly due to the Euro 7,944 thousand reclassification to the proper assets category due to the completion of the investment and the negative effect of the exchange rate differences (Euro 904 thousand) and the disposal of assets (Euro 698 thousand).

Assets in progress and advances as of December 31, 2012 amounted to Euro 10,081 thousand, increasing by Euro 3,497 thousand compared to December 31, 2011 (Euro 6,584 thousand). Such increase was mainly due to the construction of the plant in Zaraisk, the set-up of the Mac Mat production line of Maccaferri CIS Gabions (about Euro 4.2 million), the creation of a new zinc-coating shop (Euro 1.1 million) and the improvements to the plant of Brezova pod Bradlom and the set-up of the MacMat production line of Maccaferri Central Europe (about Euro 0.7 million), and was partially offset by the Euro 2.5 million reclassification to land and building of the warehouse owned by the Group in Brazil, the disposal of assets for Euro 1,992 thousand and the negative effect of the exchange rate differences (Euro 298 thousand).

In the previous years the Group financed the acquisition of certain assets within property, plant and equipment through financial lease contracts; the table below sets forth the detail of historical cost, cumulated depreciation and carrying amount of such assets as of December 31, 2013, 2012 and 2011:

	As of 31 December 2013			As of 31 December 2012			As of 31 December 2011		
In thousand of Euro	Historical costs	Cumulated depreciation	Carrying amount	Historical costs	Cumulated depreciation	Carrying amount	Historical costs	Cumulated depreciation	Carrying amount
Lands and buildings	713	(15)	697	750	(6)	744	374	0	374
Plant and machinery	6,968	(2,801)	4,166	7,095	(2,128)	4,967	6,196	(1,505)	4,691
Other	1,816	(405)	1,411	1,736	(237)	1,499	1,738	(78)	1,660
Total property, plant and equipment under financial lease	**9,496**	**(3,221)**	**6,275**	**9,581**	**(2,370)**	**7,211**	**8,308**	**(1,583)**	**6,725**

8. INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT-VENTURES AND OTHER COMPANIES

The table below sets forth the details of non-current financial assets as of December 31, 2013, 2012 and 2011:

	As of December 31,		
In thousand of Euro	**2013**	**2012**	**2011**
Investment in subsidiaries	354	356	349
Investment in associates and joint ventures	114	123	202
Investment in other companies	1,171	401	412
Total Investment in subsidiaries, associates, joint ventures and other companies	**1,639**	**880**	**963**

Below it is reported the breakdown of investments in subsidiaries, associates, joint ventures and other companies as of December 31, 2013:

Investment name	As of December 31, 2013				
		Share capital			
	Country	Currency	Amount in local currency in thousands	Ownership percentage	Carrying amount in thousands of Euro
Maccaferri Latvia LLC	Latvia	LVL	21	100,00%	28
Uzbekistan-Russian Joint Venture Maccaferri-Fergana LTD	Uzbekistan	USD	300	51,00%	112
High Tech Green s.r.l.	Italy	Euro	50	100,00%	72
O.E.F. Scarl	Italy	Euro	10	70,00%	7
Maccaferri du Maroc	Marocco	MAD	10	100,00%	3
Maccaferri Kazakhstan LLC	Kazakhstan	KZT	6.200	100,00%	26
Maccaferri Ukraine LLC	Ukraine	UAH	1	100,00%	0
Maccaferri Georgia LLC	Georgia	GEL	30	100,00%	26
Maccaferri Azerbaycan LLC	Azerbaijan	Euro	6	100,00%	6
Mac - k	Belgium	Euro	0	56,00%	0
Maccaferri Tunisie	Sfax (Tunisia)	TND	1.148	100,00%	1
Maccaferri do Caribe SAS	Santo Domingo	RD$	3.810	100,00%	73
Total investments in subsidiaries as of December 31, 2013					**354**
Consorzio Tutela Gabbioni	Italy	Euro	5	25,00%	1
Consorzio Fibre	Italy	Euro	100	38,75%	39
Philippines Gabions Inc.	Philippines	PHP	265	40,00%	0
Infratex Environmental Service Inc.	Philippines	PHP	3.045	40,00%	49
Energoblok a.s.	Slovakia	Euro	315	27,11%	25
Total investments in associates and joint ventures as of December 31, 2013					**114**
Maccaferri New Zealand Pty	New Zealand	AUD	280	15,00%	49
Maccaferri Pty Ltd	Australia	AUD	1.500	15,00%	181
Electrobras (stock)	Brazil	BRL	n.a.	n.a.	118
Banca Popolare di Vicenza (stock)	Italy	Euro	n.a.	n.a.	788
Other		Euro			35
Total investments in other companies as at 31 December 2013					**1.171**

Investments in subsidiaries, associates, joint-ventures and other companies amounted to Euro 1,639 thousand as of December 31, 2013, showing an increase of Euro 759 thousand compared to December 31, 2012. The increase is mainly due to the investments in other companies following the acquisition of a non- controlling interest in Banca Popolare di Vicenza (Euro 788 thousand) made during the year 2013. The residual variations are attributable to the investments in subsidiaries and associates, which show a decrease of Euro 11 thousand, mainly due to the translation into euro of the investments owned through companies the functional currency of which is other than the euro.

Below it is reported the breakdown of investments in subsidiaries, associates, joint ventures and other companies as of December 31, 2012:

	As of December 31, 2012				
		Share capital			
Investment name	**Country**	**Currency**	**Amount in local currency in thousands**	**Ownership percentage**	**Carrying amount in thousands of Euro**
Maccaferri de Panama S.A.	Panama	PAB	106	100.00%	83
Maccaferri Latvia LLC	Latvia	LVL	21	100.00%	31
Uzbekistan-Russian Joint Venture Maccaferri-Fergana LTD	Uzbekistan	USD	300	51.00%	126
High Tech Green s.r.l.	Italy	Euro	50	51.00%	48
O.E.F. Scarl	Italy	Euro	10	60.00%	6
Maccaferri du Maroc	Morocco	MAD	10	100.00%	3
Maccaferri Kazakhstan LLC	Kazakhstan	KZT	6.200	100.00%	30
Maccaferri Ukraine LLC	Ukraine	UAH	1	100.00%	0
Maccaferri Georgia LLC	Georgia	GEL	30	100.00%	29
Total investments in subsidiaries as of December 31, 2012					**356**
Consorzio Fibre	Italy	Euro	100	38.75%	39
Philippines Gabions Inc.	Philippines	PHP	265	40.00%	4
Infratex Environmental Service Inc.	Philippines	PHP	3.045	40.00%	55
Energoblok a.s.	Slovakia	Euro	315	27.11%	25
Total investments in associates and joint ventures as of December 31, 2012					**123**
Maccaferri New Zealand Pty	New Zealand	AUD	280	15.00%	49
Maccaferri Pty Ltd	Australia	AUD	1.500	15.00%	181
Electrobras (stock)	Brazil	BRL	n.a.	n.a.	142
Other		Euro			29
Total investments in other companies as of December 31, 2012					**401**

Investments in subsidiaries, associates, joint-ventures and other companies amounted to Euro 880 thousand as of December 31, 2012, showing a decrease of Euro 83 thousand compared to December 31, 2011 (Euro 963 thousand). This decrease was mainly due to the deconsolidation of Prama srl, following the sale of its parent company Arenaria s.r.l., which resulted in the derecognition of its non-controlling interests in Marimassa S.c.a.r.l. and Lavori Costieri S.c.a.r.l. The remaining was due to the translation into euro of the investments owned through companies that operates in currency other than euro.

Below it is reported the breakdown of investments in subsidiaries, associates, joint ventures and other companies as of December 31, 2011:

	As of December 31, 2011				
		Share capital			
Investment name	**Country**	**Currency**	**Amount in local currency in thousands**	**Ownership percentage**	**Carrying amount in thousands of Euro**
Consorzio Italia	Italy	Euro	40	63.34%	25
Maccaferri de Panama S.A.	Panama	PAB	106	100.00%	86
Maccaferri Latvia LLC	Latvia	LVL	21	100.00%	30
Uzbekistan-Russian Joint Venture Maccaferri-Fergana LTD	Uzbekistan	USD	300	51.00%	122
High Tech Green s.r.l.	Italy	Euro	50	51.00%	48
O.E.F. Scarl	Italy	Euro	10	60.00%	6
Maccaferri du Maroc	Morocco	MAD	10	100.00%	3
Maccaferri Kazakhstan LLC	Kazakhstan	KZT	6.200	100.00%	28
Maccaferri Ukraine LLC	Ukraine	UAH	1	100.00%	1
Total investments in subsidiaries as of December 31, 2011					**349**
Consorzio Fibre	Italy	Euro	100	38.75%	39
Marimassa Scarl	Italy	Euro	10	49.00%	75
Lavori Costieri Scarl	Italy	Euro	20	25.00%	6
Philippines Gabions Inc.	Philippines	PHP	265	40.00%	4
Infratex Environmental Service Inc.	Philipppines	PHP	3.045	40.00%	53
Energoblok a.s.	Slovakia	Euro	315	27.11%	25
Total investments in associates and joint ventures as of December 31, 2011					**202**
Maccaferri New Zealand Pty	New Zealand	AUD	280	15.00%	49
Maccaferri Pty Ltd	Australia	AUD	1.500	15.00%	181
Electrobras (stock)	Brazil	BRL	n.a.	n.a.	159
Other		€			23
Total investments in other companies as of December 31, 2011					**412**

9. OTHER NON-CURRENT ASSETS

The table below sets forth the changes in other non-current assets for the year ended 31 December 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Due from SECI.	52	52	52
Due from others	865	1,621	840
Other non-current receivables	0	23	23
Deferred tax assets	12,421	10,310	8,400
Total Other non-current assets	**13,338**	**12,006**	**9,315**

Other non-current assets amounted to Euro 13,338 thousand as of December 31, 2013, showing an increase of Euro 1,332 thousand compared to December 31, 2012 (Euro 12,006 thousand). This increase was mainly due to the increase of deferred tax assets for Euro 2,111 thousand, as a consequence of the higher amount recognized in connection with the temporary differences between the carrying amounts in the financial statements items and the corresponding values determined for tax purposes (Euro 9,193 thousand at 31 December 2013 and Euro 7,255 thousand at 31 December 2012), which was partially offset by decrease for the Euro 756 thousand of other non-current assets due from others, which mainly included guarantee deposits.

Other non-current assets amounted to Euro 12,006 thousand as of December 31, 2012, showing an increase of Euro 2,691 thousand compared to December 31, 2011 (Euro 9,315 thousand). The increase is mainly due to the

increase of the other non-current assets due from others, which increased by 781 thousand and the increase of deferred tax assets for Euro 1,910 thousand, as a consequence of the higher amount recognized in connection with the temporary differences between the carrying amounts in the financial statements items and the corresponding values determined for tax purposes (Euro 7,255 thousand at 31 December 2013 and Euro 5,447 thousand at 31 December 2012), partially offset by the increase of the temporary differences resulting from the consolidation entries.

The table below sets forth the detail of the deferred tax assets for the year ended 31 December 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Deferred tax assets from time differences between statutory and fiscal financial statements	9,193	7,255	5,447
Deferred tax assets from the adjustments to the local financial statements to the accounting principles of the Group	1,137	920	614
Deferred tax assets from time differences of the consolidation inclusions	2,091	2,135	2,339
Total deferred tax assets	**12,421**	**10,310**	**8,400**

10. CASH AND CASH EQUIVALENTS

The table below sets forth the breakdown of cash and cash equivalents as of December 31, 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Bank accounts and postal deposits	22,696	18,177	30,789
Cheques	5	951	263
Cash on hands	122	334	259
Total Cash and cash equivalents	**22,823**	**19,462**	**31,311**

In 2013 Cash and Cash equivalents recorded an increase of Euro 3,361 thousand, from Euro 19,462 thousand as of December 31, 2012 to Euro 22,823 thousand as of December 31, 2013.

In 2012 Cash and cash equivalents recorded a decrease by Euro 11,849 thousand, from Euro 31,311 thousand as of December 31, 2011 to Euro 19,462 thousand as of December 31, 2012.

11. OTHER CURRENT FINANCIAL ASSETS

The following table includes the details of the breakdown of other current financial assets as of December 31, 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Other securities	26,212	—	—
Interest-bearing financial account due from SECI	7,501	11,000	2,500
Total Other current financial assets	**33,713**	**11,000**	**2,500**

Other current financial assets amounted to Euro 33,713 thousand as of December 31, 2013, showing an increase of Euro 22,713 thousand compared to December 31, 2012 (Euro 11,000 thousand): Such increase was mainly due to the subscription of short-term interest-bearing financial investment for Euro 26,000 thousand at a fixed annual interest rate, and was partially offset by the decrease in the outstanding amount of the interest-bearing loan due from S.E.C.I. S.p.A. The interest-bearing loan due from SECI relates to any cash in excess transferred by the Company to the ultimate parent S.E.C.I. S.p.A. through a financial account. The decrease of Euro 3,499 thousand was the result of the cash requirement of the Company at the end of the year. As of December 31, 2012 other current financial assets increased by Euro 8,500 thousand from Euro 2,500 thousand as of December 31, 2011 to Euro 11,000 thousand; the increase was entirely due to the increase of Euro 8,500 thousand in the outstanding amount of the interest-bearing loan due from parent company.

12. TRADE RECEIVABLES

The following table sets forth the breakdown of the trade receivables as of December 31, 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Trade receivables	117,464	124,963	119,463
Trade receivables from SECI.	277	19	—
Allowance for doubtful accounts	(16,440)	(14,675)	(10,282)
Total Trade receivables	**101,301**	**110,307**	**109,181**

Trade receivables include amounts due from customers arising from sales and services, and are presented in the consolidated financial statements net of the allowance for doubtful accounts. Trade receivables as of December 31, 2013 decreased by Euro 9,006 thousand from Euro 110,307 thousand as of December 31, 2012 to Euro 101,301 thousand; the decrease was mainly due to better management of the net working capital.

Trade receivables as of December 31, 2012 increased by Euro 1,126 thousand from Euro 109,181 thousand as of December 31, 2011 to Euro 110,307 thousand; the increase was mainly explained by the higher business volumes of the Group.

The allowance for doubtful accounts as of December 31, 2013, 2012 and 2011 reflects the considerations made by the Group on specific position to align gross receivables value to the estimated recoverable amount. The following table sets forth the movements of the allowance for doubtful accounts occurred in the year:

In thousand of Euro	2013	2012	2011
Balance as of January 1,	**14,675**	**10,282**	**7,854**
Accrual	5,824	5,359	3,416
Non-recurring accrual	500	0	0
Utilization	(1,454)	(434)	(510)
Reversal	(1,883)	(328)	(241)
Exchange rate adjustment	(1,222)	(379)	(255)
Reclassification	—	175	18
Balance as of December 31,	**16,440**	**14,675**	**10,282**

As of December 31, 2013, the allowance for doubtful accounts increased by Euro 1,765 thousand, mainly due to the higher accruals as a result of: (i) the provision accrued by the Company (Euro 1,654 thousand) for the risks on receivables from the clients Impresa S.p.A., and Geoapplicazioni s.r.l. (ii) the Euro 1,388 thousand accrual made by Maccaferri Gabions CIS as per the Russian statutory policy that requires to accrue a provision for all receivables 90 days overdue (120 days as Group policy), and (iii) the non-recurring accrual for Euro 500 thousand, related to the bankruptcy of the client Rainbow s.r.l. occurred in 2013. Such increase was partially offset by the higher utilization and reversal of the allowance and by the exchange rate adjustments.

As of December 31, 2012, the allowance for doubtful accounts increased by Euro 4,393 thousand, mainly due to the higher accruals as a result of (i) the Euro 750 thousand accrual for the client Acqua&verde, which experienced financial distress, (ii) the Euro 1,085 thousand accrual made by Maccaferri Gabions CIS as per the different statutory policy described above. Such increase was partially offset by the higher utilization and reversal of the allowance and by the exchange rate adjustments.

13. INVENTORIES

The Group inventories accounted to Euro 87,282 thousand as of December 31, 2013 (Euro 85,457 thousand as of December 31, 2012 and Euro 92,350 thousand as of December 31, 2011):

In thousand of Euro	As of December 31, 2013	2012	2011
Raw Materials, secondary materials and consumables	34,188	29,854	28,249
Semi-finished goods	2,357	1,601	4,846
Work in progress	—	—	3,118
Finished products and goods	48,413	52,634	53,451
Advances paid to suppliers for purchase of goods	2,324	1,368	2,686
Total Inventories	**87,282**	**85,457**	**92,350**

As of December 31, 2013 the inventories increased by Euro 1,825 thousand compared to December 31, 2012. This increase was due to the consolidation of the companies established during the year (Bianchini de Portugal Ltda, Maccaferri de Panama, Maccaferri Magyarorsag Kft, Maccaferri Romania and Maccaferri Serbia) and to the stock policy applied by the Brazilian subsidiaries, which purchased raw materials in excess to benefit of the low price on the markets.

As of December 31, 2012 the inventories decreased by Euro 6,893 thousand compared to December 31, 2011. This decrease was mainly due to (i) the deconsolidation of Prama s.r.l. (Euro 3.1 million), (ii) the disposal of the double-torsion production line owned by Maccaferri do Brasil Ltda, that as of December 31, 2011 was reclassified from property, plant and equipment to inventories as it was held for sale (Euro 1.1 million), and (iii) the negative effect of the exchange differences for Euro 2.9 million.

Inventories are shown net of the obsolescence reserve that amounted to Euro 2.1 million, Euro 2.2 million and Euro 1.5 million as of December 31, 2013, 2012 and 2011, respectively.

14. CURRENT TAX RECEIVABLES

The table below sets forth the breakdown of current tax receivables as of December 31, 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Receivables from tax authorities	7,602	5,478	6,966
Receivables from SECI for liquidation Group IRES	650	1,049	23
Receivables from SECI for liquidation Group VAT	185	43	235
Total Current tax receivables	**8,437**	**6,570**	**7,224**

Receivables from tax authorities mainly include the amount of income taxes advances paid by Group companies to the local tax authorities, and amount of VAT and withholding taxes owed to Group companies for advances paid.

As of December 31, 2013 receivables from tax authorities increased by Euro 2,124 thousand compared to December 31, 2012; this increase was mainly due to the higher advances paid to the tax authorities as a consequence of the higher taxes paid in the previous year, and as a percentage of which advances to pay are computed on.

As of December 31, 2012 receivables from tax authorities decreased by Euro 1,488 thousand compared to December 31, 2011, mainly due to the increase of the income taxes accrual, as a consequence of the higher income for the year.

Officine Maccaferri S.p.A., Elas Geotecnica s.r.l., O.E.F. S.c.a.r.l., High Tech Green S.r.l. and Borghi Azio s.r.l. take part to the national tax consolidation agreement in connection with IRES (income tax) and VAT (all of them except for Borghi Azio s.r.l.). Based on the agreement the IRES and VAT balance pertaining to the abovementioned companies are transferred to SECI (the ultimate parent company) against the recognition of a credit/debit with the nominated parent, the balance of the accounts arise as part of this agreement are timely paid/ collected.

15. OTHER CURRENT NON-FINANCIAL ASSETS

The following table shows the breakdown of other current non-financial assets as of December 31, 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Other current receivables	8,203	10,320	9,128
Accrued income	1,119	606	538
Prepaid expenses	1,318	1,666	1,882
Other receivables due from SECI	140	192	1
Total Other current non-financial assets	**10,780**	**12,784**	**11,549**

Other current non-financial assets decreased by Euro 2,004 thousand from Euro 12,784 thousand as of December 31, 2012 to Euro 10,780 thousand; such decrease was mainly due to the decrease of Euro 2,117 thousand in other current receivables following the collection of the receivables due from Arenaria S.r.l. (Euro 1,710 thousand).

Other current non-financial assets increased by Euro 1,235 thousand from Euro 11,549 thousand compared to December 31, 2011 to Euro 12,784 thousand; such increase was mainly due to the increase of the other current receivables, as a result of the Euro 1,710 thousand increase in receivables due from the former subsidiary Arenaria S.r.l., which was sold to the ultimate parent during the year, only partially offset by the decrease in receivables from factor companies and advances to suppliers for services.

16. SHARE CAPITAL AND RESERVES

Share capital

In thousand of Euro	As of December 31, 2013	2012	2011
Share capital	33,400	16,000	16,000

Ordinary shares have a nominal value of Euro 80.00 each.

The ordinary shares of Officine Maccaferri S.p.A., issued and fully paid up as of December 31, 2013 totaled 417,500.

The increase by Euro 17,400 thousand compared to the previous year, relate to the underwriting of share capital made by the Sole Shareholder on December 16, 2013.

The ordinary shares of Officine Maccaferri S.p.A., issued and fully paid up as of December 31, 2012 totaled 200,000, for a total of Euro 16,000 thousand, thus unchanged compared to the previous year.

Reserves and retained earnings

The table below shows the movement in the shareholders' equity reserves as of December 31, 2013, 2012 and 2011:

In thousand of Euro	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Currency translation reserve	Total Reserves
As of January 1, 2011	**1,418**	**10,641**	**29,105**	**40,678**	**(1,904)**	**79,938**
Allocation of prior year results	235		4,462	3,515		8,212
Dividends paid			(3,500)			(3,500)
Changes in the consolidation area				(144)	(5,279)	(5,423)
As of December 31, 2011	**1,653**	**10,641**	**30,067**	**44,049**	**(7,183)**	**79,227**
Allocation of prior year results	358		6,830	(831)		6,357
Dividends paid			(3,775)			(3,775)
Changes in the consolidation area				(89)	(6,124)	(6,213)
As of December 31, 2012	**2,011**	**10,641**	**33,122**	**43,129**	**(13,307)**	**75,596**
Allocation of prior year results	398		7,503	1,834		9,735
Dividends paid			(5,275)			(5,275)
Changes in the consolidation area				271	(13,492)	(13,221)
As of December 31, 2013	**2,409**	**10,641**	**35,350**	**45,234**	**(26,799)**	**66,835**

The Revaluation reserve refers to the revaluation of Land and Buildings in accordance with the Law Decree 185/2008, converted into law on January 28, 2009.

The item Other reserves refers to the following items:

In thousand of Euro	As of December 31, 2013	2012	2011
Reserve ex art. 55 D.P.R. 597/73	4,447	4,447	4,447
Capital contribution payment reserve	19,000	19,000	19,000
Other reserves	11,903	9,675	6,620
Total Other reserves	**35,350**	**33,122**	**30,067**

17. BANK LOANS AND OTHER FINANCIAL LIABILITIES

The item Bank loans and other financial liabilities include the current and non-current portion of loans from financial institution and from other lenders.

The tables below sets forth the breakdown of bank loans and other financial liabilities as of December 31, 2013, 2012 and 2011:

	As of December 31,											
	2013				2012				2011			
in thousands Euro	**Total**	*within 1 year*	*1 to 5 years*	*over 5 years*	**Total**	*within 1 year*	*1 to 5 years*	*over 5 years*	**Total**	*within 1 year*	*1 to 5 years*	*over 5 years*
Overdrafts and other short-term debt	72,571	*70,943*	*1,628*		58,000	*57,255*	*745*		61,235	*61,235*		
Long-term debts due to financial institutions	64,971	*5,260*	*54,678*	*5,033*	41,646	*7,163*	*31,699*	*2,784*	41,821	*23,182*	*16,670*	*1,969*
Other financial liabilities	9,927	*6,525*	*2,904*	*498*	15,078	*9,882*	*4,535*	*661*	19,194	*12,657*	*5,718*	*819*
Total Banks loans and other financial liabilities	**147,469**	**82,728**	**59,210**	**5,531**	**114,724**	*74,300*	*36,979*	*3,445*	**122,250**	*97,074*	*22,388*	*2,788*

As of December 31, 2013 bank loans and other financial liabilities increased by Euro 32,745 thousand, from Euro 114,724 thousand as of December 31, 2012 to Euro 147,469 thousand; in particular such increase is related to the increase in overdrafts and other short term debt by Euro 14,571 and to the increase in long-term debts due to financial institutions by Euro 23,325 thousand both a consequence of the new financing agreements subscribed during the year to finance the growing demand of products and services as well as the Group investments in property plant and equipment. This movement was partially offset by a decrease in other financial liabilities by Euro 5,151 thousand. This decrease was mainly the combined result of (i) the lower amount of payables to factoring companies (for Euro 5.5 million), as a consequence of the lower amounts of payables that our suppliers sold to factor companies compared to December 31, 2012, (ii) the lower amount of financial lease (for Euro 1.7 million) as the Group did not enter any relevant new financial lease contract during the year, and (iii) the increase in the other payables (for Euro 1.6 million).

As of December 31, 2012 bank loans and other financial liabilities decreased by Euro 7,526 thousand, from Euro 122,250 thousand as of December 31, 2011 to Euro 114,724 thousand; such decrease was mainly due to the combined effect of: (i) the decrease in other financial liabilities for Euro 4,116 thousand, related to the reduction of the payables to factoring companies (for Euro 3.1 million) as a consequence of the lower amounts of payables that our suppliers sold to factor companies compared to December 31, 2011, (ii) the lower amount of financial lease (for Euro 1.7 million) as the Group did not enter any relevant new lease contract during the year (iii) the decrease of overdrafts and other short term debt for Euro 3,235 thousand, due to the lower amount necessary to serve working capital needs and (iii) the decrease in long-term debts due to financial institutions for Euro 175 thousands as net effect of current year payment of the long-term debt amortization plan and of the subscription of new contracts used in financing mainly acquisition of property, plant and equipment.

The table below sets forth the details of the bank loans outstanding as of December 31, 2013, including the original amount, terms and conditions and maturity date:

Bank	Entity	Currency	Original amount in thousand of Euro	As of December 31, 2013 in thousand of Euro	Terms	Maturity date
BNP Paribas	Officine Maccaferri SpA	EUR	6,555	6,555	3-months Euribor plus spread	2014-2018
Cassa Depositi e Prestiti	Officine Maccaferri SpA	EUR	15,295	15,295	3-months Euribor plus spread	2014-2018
Banca Popolare di Vicenza	Officine Maccaferri SpA	EUR	2,000	2,000	3-months Euribor plus 10 bps plus spread	2020
Simest	Officine Maccaferri SpA	EUR	660	354	fixed-cut rate	2017
Intesa San Paolo	Officine Maccaferri SpA	EUR	4,000	4,000	6-months Euribor plus spread	2014
Intesa San Paolo	Officine Maccaferri SpA	EUR	3,600	3,600	6-months Euribor plus spread	2019
Credit Agricole	Officine Maccaferri SpA	EUR	4,100	4,100	6-months Euribor plus spread	2018
Caricesena	Officine Maccaferri SpA	EUR	376	376	6-months Euribor plus spread	2014
Caricento	Officine Maccaferri SpA	EUR	1,500	1,500	3-months Euribor plus spread	2020
Caricento	Officine Maccaferri SpA	EUR	904	904	3-months Euribor rounded to the high range plus spread	2015
Banco do Brasil	Officine Maccaferri SpA	EUR	816	816	Fixed rate	2017
FirstRand Bank Limited	African Gabions Ltd	ZAR	643	643	Variable plus spread	2023
Malayan Banking Berhad	Maccaferri SDN BHD	MYR	616	616	Fixed plus spread	2018
ICICI Bank	Maccaferri Environmental Solutions PVT Ltd	INR	586	586	Fixed plus spread	2016
Banco do Brasil	Maccaferri do Brasil Ltda	BRL	6,585	6,508	Variable plus spread	2016
Banco do Brasil—FINAME	Maccaferri do Brasil Ltda	BRL	187	188	Fixed rate	2019
Banco Santander—NCE	Maccaferri do Brasil Ltda	BRL	5,595	6,457	Variable plus spread	2015
Banco Bradesco—NCE	Maccaferri do Brasil Ltda	BRL	6,475	3,117	1) Fixed rate 2) variable plus spread	2016-2017
Banco Bradesco—FINAME	Maccaferri do Brasil Ltda	BRL	88	87	1) Fixed rate 2) Fixed rate 3) Fixed rate	2016-2018
Intesa San Paolo	Euro Gabions	EUR	685	685	Variable plus spread	2018
Unicredit	Euro Gabions	EUR	200	200	Fixed plus spread	2018
CSOB Bank	Euro Gabions	EUR	1,801	1,801	Variable plus spread	2018
Credito di Romagna	Elas Geotecnica s.r.l.	EUR	839	839	Euribor 365 plus spread	2017
Intesa San Paolo	Elas Geotecnica s.r.l.	EUR	22	22	Variable plus spread	2015
Banca pop. dell'Emilia Romagna	Borghi Azio s.r.l.	EUR	237	237	3-months Euribor plus spread	2015

Bank	Entity	Currency	Original amount in thousand of Euro	As of December 31, 2013 in thousand of Euro	Terms	Maturity date
Banco Votorantin	Bmd Ltda	BRL	633	704	Variable plus spread	2015
Banco Santander	Bmd Ltda	BRL	866	957	Variable plus spread	2015
Banco do Brasil—FINAME	Bmd Ltda	BRL	23	23	1) Fixed rate 2) Fixed rate	2015-2016
Banco do Brasil	Bmd Ltda	BRL	880	840	Variable rate	2015
Desenbahia	Bmd Ltda	BRL	344	373	Fixed rate	2016
Banco Bradesco	Bmd Ltda	BRL	71	71	Fixed rate	2017
Banco Santander	Bianchini Ingeniero S.A.	EUR	271	271	Fixed plus spread	2016
Credit Agricole	Maccaferri Balkans Sh.p.k.	EUR	246	246	3-months Euribor plus spread	2017
Total				**64,972**		

18. NON-CURRENT BONDS

The table below shows the detail of the non-current bonds as of December 31, 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Bond issued	—	17,398	17,398

In previous years, the Company issued several bonds, entirely subscribed by the ultimate parent's shareholders. The table below sets forth the details of the bonds including the issue date, the outstanding amount, the terms and the maturity date of such bonds as of December 2012 and 2011:

Issue date	Original amount in EUR	Outstanding amount in EUR	Terms	Maturity date
29/02/1996	5,165	5,165	Key interest rate as of December 31 plus spread	31/12/2020
03/07/1997	2,582	1,833	Fixed interest rate	31/12/2020
09/12/2002	5,000	5,000	fixed interest rate	31/12/2025
09/12/2003	3,000	3,000	fixed interest rate	31/12/2025
02/07/2005	2,400	2,400	Key interest rate as of December 31 plus spread	31/12/2015
Total		**17,398**		

On December 16, 2013 the Company early repaid the full amount outstanding.

19. EMPLOYEES' TERMINATION INDEMNITY

The employee termination indemnity is calculated in accordance with the national contract of employment.

The table below sets forth the movements occurred during the years ended December 31, 2013, 2012 and 2011:

In thousand of Euro	As of December 31, 2013	2012	2011
Beginning as of January 1,	***2,836***	***2,953***	***2,959***
Change in the consolidation area	—	(18)	98
Accrual for the year	638	715	777
Utilization for the year (resignation and advances)	(476)	(261)	(350)
Payment of current-year portion to pension fund and INPS treasury funds	(512)	(544)	(519)
Withholding tax on revaluation	(5)	(9)	(12)
Balance as of December 31,	**2,481**	**2,836**	**2,953**

Employees' termination indemnity decreased by Euro 355 thousand as of December 31, 2013, from Euro 2,836 thousand as of December 31, 2012 to Euro 2,481 thousand. Such decrease is mainly due to the payment of the current-year portion to pension fund and INPS treasury fund, to the utilization for the period related to the leaving indemnity to the employees of the plant Italdreni, which accounted for Euro 370 thousand out of Euro 476 thousand of utilization of the year, which were partially compensated by the accrual of the year.

Employees' termination indemnity decreased by Euro 117 thousand as of December 31, 2012, to Euro 2,836 thousand compared to December 31, 2011(Euro 2,953 thousand). The decrease is mainly due to the lower accrual for the period

20. PROVISIONS FOR RISKS AND CHARGES

The breakdown and movements in the provision for risks and charges occurred in the year 2013, 2012 and 2011 are shown below:

In thousand of Euro	**Pension and similar provision**	**Tax litigation provision**	**Other provisions**	**Total**
Balance as of January 1, 2011	**2,282**	**424**	**3,704**	**6,410**
Accrual for the year	317	300	841	**1,458**
Non-recurring accrual	0	0	2,118	**2,118**
Reversal	0	0	(85)	**(85)**
Decrease for use	(162)	(101)	(182)	**(445)**
Exchange rate adjustment	50	(35)	(59)	**(44)**
Reclassification	188	0	(188)	**0**
Balance as of December 31, 2011	**2,675**	**588**	**6,149**	**9,412**
Accrual for the year	355	461	991	**1,807**
Non-recurring accrual	0	0	1,005	**1,005**
Reversal	(23)	0	(569)	**(592)**
Decrease for use	(142)	0	(2,799)	**(2,941)**
Exchange rate adjustment	(19)	(78)	(158)	**(255)**
Reclassification	(289)	267	22	**0**
Change in the consolidation area	0	0	(100)	**(100)**
Balance as of December 31, 2012	**2,557**	**1,239**	**4,541**	**8,336**
Accrual for the year	128	347	1,671	**2,146**
Non-recurring accrual	0	0	1,101	**1,101**
Reversal	(52)	0	(557)	**(609)**
Decrease for use	(150)	0	(1,926)	**(2,076)**
Exchange rate adjustment	(76)	(208)	(247)	**(531)**
Reclassification	0	(460)	460	**(0)**
Balance as of December 31, 2013	**2,407**	**917**	**5,043**	**8,367**

Pension and similar provision

The item, amounting to Euro 2,407 thousand as of December 31, 2013, Euro 2,557 thousand as of December 31, 2012 and Euro 2,675 thousand as of December 31, 2011 includes the estimation of the severance to be paid to the agents subject to the termination of their work relations with the Group, and include the liabilities related to the pension fund of some foreign associates. The latter accrual for the year is recognized in the income statement as "pension and similar costs" within the "cost of personnel".

Tax litigation provision

The item amounted to Euro 917 thousand as of December 31, 2013, Euro 1,239 thousand as of December 31, 2012 and Euro 588 thousand as of December 31, 2011 and includes the estimation of costs for withholding tax liabilities and risks related to tax litigation. If the accrual relates to VAT or withholding tax for the current year is recognized in the income statement as "fiscal contingencies" within the "other operating costs", differently if relates to income and other taxes related to the previous years , is recognized in the income statement as "accrual to provisions for risks and charges".

Other provision

The item, amounting to Euro 5,042 thousand as of December 31, 2013, Euro 4,541 thousand as of December 31, 2012 and Euro 6,148 thousand as of December 31, 2011 includes mainly the provision booked in order to cover risks linked to the business activity, risks arisen from litigations with third parties and provision related to Group companies restructuring process. The accrual of the year is recognized in the income statement as "accrual to provision for risks and charges"; should the cost incurred be considered exceptional, the accrual is recognized as "non-recurring expenses and charges".

The accrual for the year ended December 31, 2013 included the extraordinary accrual made in relation with the restructuring of the Group foreign entities and the accrual of Euro 800 thousands connected to *COIM construction consortium* litigation. The accrual for the year ended December 31, 2012 included the accrual made in relation with the restructuring of the Group.

The main disputes and litigations as of December 31, 2013 are detailed below:

Litigation Re: COIM construction consortium

We are party to a proceeding brought by a construction consortium ("COIM") alleging that certain of our geosynthetic products used to line and waterproof an underpass in northern Italy were manufactured and/or installed improperly. We have argued that the product was not defective and that any leakage was caused by improper installation and by design flaws in the project itself. An initial trail was decided in our favor. However, on appeal, the Italian appellate court ruled against us and ordered us to pay total damages (including costs, fees and interest) of approximately €4.0 million. We have appealed this decision to the Italian Court of Cassation and are awaiting a ruling (expected in June 2014) on whether the appeal will be heard by such court. In addition, we have petitioned to stay our payment obligations pursuant to the appellate decision pending the outcome of the further appeal. A ruling on this stay is expected at the end of May, 2014. If the stay of payment is granted, we will post a payment bond with the court that will be enforced in the event our ultimate appeal is unsuccessful. If the stay of payment is not granted, we will be required to pay the full amount of the damages and would only be entitled to seek reimbursement if our appeal is ultimately successful, but any subsequent recovery would uncertain. The Group accrued a specific provision within "other provisions" of Euro 800 thousand during the year 2013.

Cave Pedogna litigation

The operator of rock and gravel quarry in Italy ("Cave Pedogna") has brought a claim against us alleging that imperfections in our products and/or project design used to line and protect a portion of the quarry are defective and, as a result, a portion of the quarry is unusable. Cave Pedogna's claim seeks restitution for damages and lost profits. This claim is still in the early stages of petition and discovery and we cannot yet estimate potential damages or lost profits, if any. We intend to vigorously defend our interests in this case and, in any case, we estimate that, with regard to this litigation, no ruling in the case will be issued in the medium term. The Group accrued a specific provision of Euro 665 thousand during the year 2012, which was unchanged as of December 31, 2013.

21. DEFERRED TAX LIABILITIES

The table below sets forth the detail and movements of the item as of and for the years ended December 31, 2013, 2012 and 2011:

	As of December 31,		
In thousand of Euro	**2013**	**2012**	**2011**
Deferred tax liabilities from time differences between statutory and fiscal financial statements	2,413	3,353	3,033
Deferred tax liabilities from adjustments to the local financial statements to the accounting principles of the Group	962	967	1,658
Deferred tax liabilities from time differences of the consolidation inclusions	1,459	1,590	2,051
Total	**4,834**	**5,910**	**6,742**

The item amounted to Euro 4,834 thousand as of December 31, 2013, decreased by Euro 1,076 thousand compared to December 31, 2012 (Euro 5,910 thousand); the decrease was mainly due to the temporary differences recognized in consolidated companies for Euro 940 thousand.

The item amounted to Euro 5,910 thousand as of December 31, 2012, decreased by Euro 832 thousand compared to December 31, 2011 (Euro 6,742 thousand); the decrease of Euro 691 thousand was mainly related to the adjustments made on the standalone financial statements of the subsidiaries to comply with the Group's accounting policies and it would be reversed in the future.

22. TRADE PAYABLES AND ADVANCE FROM CUSTOMERS

The table below sets forth the breakdown of trade payables and advances from customers as of December 31, 2013, 2012 and 2011:

	As of December 31,		
In thousand of Euro	**2013**	**2012**	**2011**
Trade payables due to third parties	62,682	64,902	68,793
Trade payables due to SECI	179	534	432
Total trade payables	**62,861**	**65,436**	**69,225**
Advance from customers	**2,517**	**6,454**	**3,254**
Total Trade payables and advance from customers	**65,378**	**71,890**	**72,479**

As of December 31, 2013 trade payables decreased by Euro 2,575 thousand to Euro 62,861 thousand compared to December 31, 2012 (Euro 65,436 thousand). Such decrease is in line with the decrease in the business volumes occurred in the year. Advance from customers also decreased by Euro 3,937 thousand to Euro 2,517 thousand compared to December 31, 2012 (Euro 6,454 thousand), mainly due to the completion of the projects the Group received the advances for, and to the lower collection of advances in relation to new projects.

As of December 31, 2012 trade payables decreased by Euro 3,789 thousand to Euro 65,436 thousand compared to December 31, 2011 (Euro 69,225 thousand). Such decrease was mainly due to the downturn of the Italian activities, occurred in the last part of the year subsequently to the completion of several major projects developed in 2011, and the consequent settlement of related payables. Differently advance from customers increased by Euro 3,200 thousand to Euro 6,454 thousand compared to December 31, 2011 (Euro 3,254 thousand); mainly due to the higher amount of advances collected from customers.

23. CURRENT TAX PAYABLES

The table below shows the movements of current tax payables as of December 31, 2013, 2014 and 2011:

	As of December 31,		
(Euro/000)	**2013**	**2012**	**2011**
Current tax payables	6,142	4,959	6,575

As of December 31, 2013 current tax payables increased by Euro 1,183 thousand to Euro 6,142 thousand compared to December 31, 2012 (Euro 4,959 thousand), mainly due to the Euro 1,741 thousand increase of VAT payables, partially offset by the lower accrual for income taxes (for Euro 560 thousand) as a consequence of the lower income before taxes for the year.

As of December 31, 2012 current tax payables decreased by Euro 1,616 thousand to Euro 4,959 thousand compared to December 31, 2011 (Euro 6,575 thousand); such decrease was mainly due to the Euro 1,107 thousand decrease of VAT payables following the downturn of the Italian activities from the end of 2011, and Euro 417 decrease of debt to tax authorities related to payroll in connection with the deconsolidation of Arenaria s.r.l. and its subsidiary Prama s.r.l..

24. OTHER CURRENT NON-FINANCIAL LIABILITIES

The table below sets forth the breakdown of other current non-financial liabilities as of December 31, 2013, 2012 and 2011:

In thousand of Euro	As of December 31,		
	2013	**2012**	**2011**
Social security payables	825	1,012	872
Accrued expenses	4,921	4,017	4,828
Deferred income	425	1,224	455
Due to personnel	2,571	2,211	2,008
Payables to factoring	31,871	27,737	31,825
Other payables	6,548	8,948	8,437
Other debt to parent	—	6	—
Total Other current non-financial liabilities	**47,161**	**45,155**	**48,425**

As of December 31, 2013 other current non-financial liabilities increased by Euro 2,006 thousand to Euro 47,161 thousand compared to December 31, 2012 (Euro 45,155 thousand), mainly due to the Euro 4,134 thousand increase of payables to factoring due to the higher amount of payables overdue sold by our supplier to factoring companies. Such increase was partially offset by the decrease in other payables for Euro 2,400 thousand, mainly due to some guarantee deposits collected.

As of December 31, 2012 other current non-financial liabilities decreased by Euro 3,270 thousand to Euro 45,155 thousand compared to December 31, 2011 (Euro 48,425 thousand), mainly due to the Euro 4,088 thousand decrease of payables to factoring as a consequence of the lower amount of payables overdue sold by our supplier to factoring companies.

It should be noted that some of the Group's suppliers use to sell to factor companies the Group's payables. The Group maintains the recognition of these payables in the "other current non-financial liabilities" until the original due date of the sold invoices (45 days on average), subsequently the related amounts are reclassified to "bank loans and other financial liabilities," from which moment they bear interests.

NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement for the years ended December 31, 2013, 2012 and 2011 are presented below.

25. REVENUE FROM SALES AND SERVICES

The table below sets forth the breakdown of the revenues from sales and services for the years ended December 31, 2013, 2012 and 2011:

In thousand of Euro	For the year ended December 31,		
	2013	**2012**	**2011**
Revenue from sales	450,015	457,843	398,576
Revenue from services	24,394	22,403	40,929
Revenue from sales and services	**474,409**	**480,246**	**439,505**

The breakdown of revenue from sales and services by geographical area is as follows:

In thousand of Euro	For the year ended December 31,		
	2013	**2012**	**2011**
Italy	54,219	56,145	74,905
Europe (UE)	84,136	81,029	75,941
Extra UE	336,054	343,072	288,659
Total	**474,409**	**480,246**	**439,505**

For the year ended December 31, 2013 the revenue decreased by Euro 5,837 thousand, in particular revenue decreased by Euro 1,926 thousand in Italy and by Euro 7,018 thousand in Extra UE markets. Such decrease was mainly related to the unexpected reductions in infrastructure expenditures in Brazil, Mexico and Turkey as a consequence of local political instability. Furthermore also the movements in foreign exchange rates particularly the Russian ruble, the Brazilian real and other Latin American currencies had a negative effect on the consolidated revenue from sale of goods and

For the year ended December 31, 2012 the revenue increased by Euro 40,741 thousand, in particular the increase was driven by strong demands in the Extra UE markets, supported by strong demand in Brazil, Russia, Malaysia, partially offset by the decrease in Italy, mainly due to management's decision to avoid credit risk associated with sales to weaker counterparties.

26. OTHER REVENUE

The table below sets forth the breakdown of the other revenue for the years ended December 31, 2013, 2012 and 2011:

In thousand of Euro	For the year ended December 31,		
	2013	**2012**	**2011**
Repayment of transport costs	3,703	4,391	11,568
Income from rental of buildings	940	1,157	1,057
Gain on disposal of assets	1,521	392	689
Release of provision for risks and charges and allowance for doubtful accounts	2,490	920	326
Other revenue	1,879	1,458	323
Change in inventory of semi-finished and finished products	946	(1,840)	7,207
Change in inventory of work in progress	—	—	2,617
Total Other revenue	**11,479**	**6,478**	**23,787**

For the year ended December 31, 2013, other revenue increased by Euro 5,001 thousand from Euro 6,478 thousand for the year ended December 31, 2012 to Euro 11,479 thousand. Such increase was mainly due to (i) the higher gain on disposal of assets realized on the sales of assets, (ii) the higher releases of provision for risks and charges (Euro 1,570 thousand), (iii) the increase of inventory of semi-finished and finished products.

For the year ended December 31, 2012 other revenue decreased by Euro 17,309 thousand from Euro 23.787 thousand for the year ended December 31, 2011 to Euro 6,478 thousand. Such decrease was mainly

due to: (i) the lower repayment of transport costs, as a consequence of the enter into force since 2012 of a different commercial policy of invoicing, (ii) the change in the inventory variations, both semi-finished and finished goods and work in progress, for Euro 11,664 thousand overall, due to the completion of several projects.

27. COST OF MATERIALS AND CONSUMABLES

The table below sets forth the breakdown of costs of raw materials and consumables for the years ended 31 December 2013, 2012 and 2011:

	For the year ended December 31,		
In thousand of Euro	**2013**	**2012**	**2011**
Raw materials and marketing	266,520	255,798	254,473
Secondary materials and consumables	7,524	10,384	7,805
Change in inventories of raw materials, consumables and goods	(8,886)	(2,830)	(7,569)
Costs of materials and consumables	**265,158**	**263,352**	**254,709**

For the year ended December 31, 2013, cost of materials and consumables increased by Euro 1,806 thousand to Euro 265,158 thousand from Euro 263,352 thousand for the year ended December 31, 2012. Such increase was mainly due to the higher costs of raw materials sustained in relation to the projects the Group is engaged in.

For the year ended December 31, 2012, cost of materials and consumables increased by Euro 8,643 thousand to Euro 263,352 thousand from Euro 254,709 thousand for the year ended December 31, 2011. The increase was mainly due to the increase in business volumes in the year.

28. COST OF SERVICES AND USE OF THIRD PARTY ASSETS

The table below sets forth the breakdown of the item for the years ended 31 December 2013, 2012 and 2011:

	For the year ended December 31,		
In thousand of Euro	**2013**	**2012**	**2011**
Transport expenses	17,544	16,803	19,426
Technical, legal, fiscal and consulting expenses	5,126	7,474	7,644
Remuneration of directors, Board of auditors	1,076	1,425	1,549
Advertising expenses	3,042	2,937	2,837
Commissions	9,665	8,533	8,656
Utilities expenses	8,353	8,211	8,668
Travel expenses	7,046	6,965	6,377
Banking service expenses	967	1,215	1,716
Insurance expenses	890	1,217	1,223
External manufacturing	10,445	6,022	5,931
External maintenance	1,551	1,960	2,427
IT consulting	1,251	1,441	1,394
Information on client and debt collection	1,594	1,694	1,485
Other services	21,846	25,357	23,683
Total cost of services	**90,395**	**91,254**	**93,016**
Plant and equipment rents	2,532	2,424	2,464
Selling and marketing rents	1,859	1,756	1,405
Technical rents	276	293	176
General and administrative rents	1,207	1,286	1,455
Total cost for use of third parties assets	**5,874**	**5,759**	**5,500**
Costs of services and use of third party assets	**96,269**	**97,013**	**98,516**

For the year ended December 31, 2013 cost of services and use of third parties assets decreased by Euro 744 thousand from Euro 97,013 thousand for the year ended December 31, 2012 to Euro 96,269 thousand. The decrease was mainly the result of the cost-reduction plans undertaken in the previous years. For the year ended December 31, 2012 cost of services and use of third parties assets decreased by Euro 1,503 thousand from Euro 98,516 thousand for the year ended December 31, 2011 to Euro 97,013 thousand. The decrease was mainly the due to the cost-reduction plans undertaken in the previous years.

29. COST OF PERSONNEL

The table below sets forth the breakdown of cost of personnel for the years ended December 31, 2013, 2012 and 2011:

In thousand of Euro	For the year ended December 31, 2013	2012	2011
Wages, salaries and social security contributions	68,168	69,602	66,674
Employees severance indemnity	638	716	777
Pension and similar costs	758	976	829
Other personnel costs	4,685	2,064	2,165
Costs of personnel	**74,249**	**73,358**	**70,445**

For the year ended December 31, 2013 the cost of personnel increased by Euro 891 thousand from Euro 73,358 thousand for the year ended December 31, 2012 to Euro 74,249 thousand. Such increase was mainly due to the increase in the average personnel in force during the year 2013, as showed in the table below:

	31/12/2013	Average for the year 2013	31/12/2012	Average for the year 2012	31/12/2011	Average for the year 2011
Executives	72	72	72	71	70	68
Employees	1,339	1,315	1,291	1,267	1,243	1,170
Working men	1,526	1,446	1,365	1,370	1,375	1,343
Total	**2,937**	**2,833**	**2,728**	**2,708**	**2,688**	**2,581**

For the year ended December 31, 2012 cost of personnel increased by Euro 2,913 thousand from Euro 70,445 thousand for the year ended December 31, 2011 to Euro 73,358 thousand. Such increase was due to the increase in the average personnel in force during the year 2012 compared to the average personnel in force during 2011.

30. OTHER OPERATING COSTS

The table below sets forth the breakdown by nature of the operating costs for the years ended December 31, 2013, 2012 and 2011:

In thousand of Euro	For the year ended December 31, 2013	2012	2011
Losses on trade receivables and release	452	96	213
Losses on disposal of assets	885	219	42
Fiscal contingencies	346	459	—
Other operating costs from recurring operations	1,241	813	445
Total	**2,924**	**1,587**	**700**

For the year ended December 31, 2013 other operating costs increased by Euro 1,337 thousand compared to the year ended December 31, 2012. This increase was mainly attributable to the losses on disposals of assets and to the increase of losses on trade receivables due to the worst economic environment.

For the year ended December 31, 2012 other operating costs increased by Euro 887 thousand compared to the year ended December 31, 2011. This increase was mainly attributable to the accrual to fiscal contingencies in connection with withholding and direct taxes

31. AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The table below sets forth the breakdown of the items for the years ended December 31, 2013, 2012 and 2011:

In thousand of Euro	For the year ended December 31, 2013	2012	2011
Amortization of intangible assets	2,728	2,857	3,200
Depreciation of property, plant and equipment	10,847	10,684	9,628
Other write-back of property, plant, equipment and intangible assets	—	—	(47)
Accrual to allowance for doubtful accounts	5,824	5,359	3,416
Total Amortization, depreciation and write downs	**19,399**	**18,900**	**16,197**

For the year ended December 31, 2013 amortization, depreciation and write-downs increased by Euro 499 thousand compared to the year ended December 31, 2012; the increase was mainly related to the higher accrual to allowance for doubtful accounts as a consequence of the deterioration of the economic situation worldwide.

For the year ended December 31, 2012 amortization, depreciation and write-downs increased by Euro 2,703 thousand compared to the year ended December 31, 2011; such increase was mainly related to the higher depreciation on property, plant and equipment as a consequence of the significant investments made to increase production capacity, and to the higher write-downs of trade receivables as a consequence of the deterioration of the economic situation worldwide.

32. FINANCIAL INCOME, EXPENSES AND GAINS / (LOSSES) ON EXCHANGE RATES

The table below sets forth the breakdown and the movements of the items for the years ended December 31, 2013, 2012 and 2011:

	For the year ended December 31,		
In thousand of Euro	**2013**	**2012**	**2011**
Financial income from investments	154	193	249
Other financial income	951	362	168
Total financial income	**1,105**	**555**	**417**
Interests and other financial expenses	(12,090)	(11,551)	(8,100)
Write-down of investments	(4)	0	(13)
Total financial expenses	**(12,094)**	**(11,551)**	**(8,113)**
Gain/(losses) on exchange rates	**(3,713)**	**(387)**	**(436)**
Net losses from financial activities	**(14,702)**	**(11,383)**	**(8,132)**

For the year ended December 31, 2013 the financial income increased by Euro 550 thousand compared to the year ended December 31, 2012; mainly due to the increase in other financial income obtained from the short-term financial assets, as a consequence of the their higher yearly average balance compared to the previous year.

For the year ended December 31, 2013 financial expenses, that mainly include interest expenses on debts to banking institutions, other lenders (factor and leasing companies) and shareholders for the bond issued and repaid in December 2013, increased by Euro 543 thousand, as a result of the combined effect of a greater indebtedness compared to the previous years, but also a slight improvements in the average interest rates paid on current accounts; the item include mainly interest expenses on debts to banking institutions, other lenders (factor and leasing companies).

In 2013 the Group recognized higher losses on exchange rates (Euro 3,713 thousand) compared to the previous period (Euro 387 thousand fin 2012); such increase was mainly related to the strengthening of the Euro compared to several functional currencies of the Group's subsidiaries (mainly Brazilian real and Argentinian pesos). The unrealized losses amounted to Euro 105 thousand and have been measured using the exchange rate as of December 31, 2013.

For the year ended December 31, 2012 the financial income increased by Euro 138 thousand compared to the year ended December 31, 2011; such increase was mainly related to the increase in other financial income, partially offset by the decrease of the income from investments.

In 2012, financial expenses increased by Euro 3,438 thousand, as a result of the increase in the market interest rate applied on loans and current accounts.

In 2012 the Group recognized losses on exchange rates for Euro 387 thousand, differently from the year ended December 31, 2011 when the Group recognised gain on exchange rates for Euro 436 thousand; such change was mainly due to strengthening of the Euro compared to the other functional currencies. The unrealized losses amounted to Euro 176 thousand and have been measured using the exchange rate as of December 31, 2012.

33. NET NON-RECURRING EXPENSES AND CHARGES

The table below sets forth the breakdown of the item for the years ended December 31, 2013, 2012 and 2011:

In thousand of Euro	For the year ended as of December 31,		
	2013	**2012**	**2011**
Recognition of deferred tax assets previously not recognized	1,814	0	0
Decrease in previous year tax payables	339	0	0
Gain on sales of business and on discontinued business	0	0	561
Non recurring reversal of provision for risk and charges	0	0	775
Other	544	257	930
Total non recurring income	**2,697**	**257**	**2,266**
Restructuring costs	(3,276)	0	0
Non-recurring accrual to provision for risks and charges	(1,101)	(1,005)	(2,950)
Non-recurring accrual to allowances for doubtful account	(500)	0	0
Losses on sales of business and on discontinued business	(385)	(2,173)	0
Expenses sustained for production plant moving	(177)	(1,412)	0
Other	(112)	(164)	(603)
Total non-recurring expenses and charges	**(5,551)**	**(4,754)**	**(3,553)**
Net non-recurring expenses and charges	**(2,854)**	**(4,497)**	**(1,287)**

For the year ended December 31, 2013 the non-recurring income increased by Euro 2,440 thousand compared to the year ended December 31, 2012; mainly due to the recognition of deferred tax assets (for Euro 1,814 thousand) previously not recognized by the Company.

For the year ended December 31, 2013 the non-recurring expenses and charges increased by Euro 797 thousand compared to December 31, 2012; such increase was the combined effect of the followings: (i) the recognition of restructuring costs (for Euro 3,276 thousand) mainly sustained by the Company (for Euro 2,135 thousand) and Maccaferri de Argentina (for Euro 468 thousand), (ii) the higher non-recurring accrual to provision for risks and charges (for Euro 96 thousand), mainly related to a litigation arisen upon the performance of some products, (iii) the lower losses on sale of businesses (for Euro 1,788 thousand) mainly related to the sale of the Spanish fibers business and (iv) the decrease of expenses related to plant relocation.

For the year ended December 31, 2012 the non-recurring income decreased by Euro 2,009 thousand compared to the year ended December 31, 2011; such decrease was mainly related to the non-recurring events occurred in 2011 such as the release of the restructuring provision accrued in 2011 (for Euro 775 thousand) and the sale of assets of the subsidiary Clean Air that gave arise of a gain of Euro 561 thousand.

For the year ended December 31, 2012 the non-recurring expenses and charges increased by Euro 1,201 thousand compared to the year ended December 31, 2011; such increase was mainly attributable to the losses recognized in connection with the sale of Arenaria s.r.l., that was operating in a sector not considered core-business by the Group (for Euro 2,173 thousand) and to the costs incurred for the relocation of some plants (Euro 2,417 thousand).

34. INCOME TAXES

The table below sets forth the breakdown of the item for the years ended December 31, 2013, 2012 and 2011:

In thousand of Euro	For the year ended December 31,		
	2013	**2012**	**2011**
Current income taxes	6,080	7,950	5,718
Change in deferred tax assets	(2,427)	(3,446)	(1,790)
Change in deferred tax liabilities	(98)	656	839
Total Income taxes	**3,555**	**5,160**	**4,767**

Changes in income taxes over the three year period were in line with the trend of the net income before taxes recognized.

For the year ended December 31, 2013, 2012 and 2011 the effective tax rate of the Group was 41.0%, 33.0% and 39.2% respectively.

As previously described tax benefit/income taxes deriving from previous year adjustment are recognized in the income statement as non-recurring income or expenses and charges.

Current income taxes include the cost for taxes related to the Group companies calculated on the basis of tax rules applicable in any of the countries in which the Group operate.

The recognition of deferred tax assets has been made by each entity of the Group assessing the future ability of generating taxable income on the basis on the most updated future year projection.

35. MEMORANDUM ACCOUNTS

Memorandum accounts are stated at their nominal value taking into account risk and commitments existing at the reporting date:

In thousand of Euro)	2013	2012	2011
Guarantees and performance bonds issued for the benefit of third parties	7,366	6,330	5,719
Pledged securities	103	103	103
Guarantees issued to third parties as deposits	1,450	1,514	314
Commitments for currency forward contracts	6,813	9,271	10,193
Trade Receivables sold on recourse basis	3,201	3,565	3,867
Obligations to SIMEST	—	—	11,113
Total Memorandum accounts	**18,933**	**20,783**	**31,309**

Guarantees and performance bonds issued for the benefit of third parties

They mainly consists of: (i) guarantees given to clients as a guarantee of supply, and (ii) guarantees in support of the subsidiaries.

Guarantees issued to third parties as deposits

It has to be noted that guarantees given to subsidiaries are not shown in the memorandum accounts due to the fact that they are already included into the subsidiaries' financial statements inside the liabilities accounts.

Trade receivables sold on recourse basis

The item relates to the amount of trade receivables sold to factoring companies with recourse.

Obligation to Simest

Simest is an Italian company controlled by "Cassa Depositi e Prestiti", which financially support the Italian companies investing abroad and help them in the process of internationalization. Simest has invested in some of the Group's companies in order to boost their development plans. The obligation to Simest represents the commitment of the Group to repurchase the investments shares in the company Maccaferri SA PTY Ltd for Euro 2,500 thousand, in Maccaferri Balkans Sh. P.k. for Euro 0.4 million in Maccaferri Asia Ltd for Euro 4.3 million and in Maccaferri do Brasil Holding Partecipacoes Empresariais e Imobiliariais Ltda for Euro 3.9 million. This commitment has been transferred to the ultimate parent company S.E.C.I. S.p.A. in the course of 2012, and is therefore only highlighted inside the 2011 consolidated financial statements.

Commitment for currency forward contracts

The Group entered into derivative contracts designed to hedge the exchange rate risk on commercial receivables and payables, financial receivables and payables: below a detail of the contracts per currency, their notional value in Euro and their fair value as of December 2013, 2012 and 2011:

	Notional amount in thousand of currency		Notional in Euro	Mark To Market as of December 31, 2013, in thousand of Euro	
Currency	**Purchased**	**Sold**		**Assets**	**Liabilities**
EUR	598	0	598	15	0
GBP	508	10	621	5	(1)
NZD	225	0	134	1	0
USD	7,402	11	5,375	127	(1)
Total			**6,728**	**149**	**(2)**
				147	

Currency	Notional amount in thousand of currency		Notional in Euro	Mark To Market as of December 31, 2012, in thousand of Euro	
	Purchased	Sold		Assets	Liabilities
AUD	906	900	1,420	5	0
EUR	354		354	3	(1)
GBP	267		328		(5)
JPY	40,000		352		(45)
USD	8,884		6,733	1	(91)
MAD		2,693	242		(1)
Total				**9**	**(143)**
					(134)

In thousand of Euro Currency	Notional amount in currency		Notional in Euro	Mark to market as of December 31, 2011	
	Purchased	Sold		Assets	Liabilities
EUR	1,584		1,584		(35)
GBP	892	1,859	3,023	30	
JPY	40,000		399	19	
MXN	18,000		997	18	
USD	11,945	2,803	11,169	342	(9)
MAD		7,836	705		(3)
Total				**409**	**(47)**
				362	

Officine Maccaferri Group policy is to cover the exchange rate risk every time there is a cash inflows (trade receivables, financial receivables and other receivables) or cash outflows (trade payables, financial payables and other payables) in a foreign currency. The Group companies which need apply such a policy the most are Officine Maccaferri S.p.A., Maccaferri Ltd (UK), Maccaferri Cangsa (China), Maccaferri (TianJin) Fibres Co. ltd (China), Maccaferri (TianJin) Enviro-Tech Co. (China), Maccaferri, Inc. (USA) and Maccaferri Environmental Solutions (India). The hedging contracts underwritten relate entirely to forward exchange rates, and they all have due date within the next financial year.

Moreover, during 2013 the parent company Officine Maccaferri S.p.A entered two interest rate swap, designed to cover the interest rate risk on the loans undersigned, and which are shown below:

In thousand of Euro

Counterparty	Type of contract	Stipulation date	Expiration date	Rate	Notional	Mark To Market as of December 31, 2013
BNP Paribas	Interest Rate Swap	November 7, 2013	September 19, 2018	0.855% per annum	14,421	(17)
Cassa di Risparmio di Cento	Interest Rate Swap	March 27, 2013	June 27, 2020	1.07% plus spread per annum	1,500	5
Total						**(12)**

36. EXECUTIVE MANAGEMENT REMUNERATION

According to the Civil Code, article 2427, first paragraph, no. 16, the remunerations paid to Directors and Statutory Auditors, for the period ending December 31, 2013, 2012 and 2011 were as it follows:

In thousand of Euro	For the year ended December 31, 2013	2012	2011
Parent company's directors remuneration	490	484	484
Parent company's statutory auditors remuneration	44	44	44
Subsidiaries directors and statutory auditors remuneration	542	897	1,021
Total	**1,076**	**1,425**	**1,549**

37. INDEPENDENT AUDITORS FEES

The fees paid to the independent auditors are disclosed according to art. 2427, first paragraph, no. 16-bis, of the Civil Code:

In thousand of Euro	For the year ended December 31,		
	2013	**2012**	**2011**
Holding company's auditors	100	100	97
Subsidiaries' auditors	347	301	282
Total	**447**	**401**	**379**

38. RELATED-PARTIES TRANSACTIONS

The Group enters into transactions with certain related parties or affiliates from time to time and in the ordinary course of our business. Set forth below is a list of our related party transactions. as of and for the year ended December 2013, 2012 and 2011:

Related party	Year	Revenues	Costs	Financial income	Financial expenses	Trade receivables and others	Trade payables and others	Financial assets	Financial liabilities
Parent company									
S.E.C.I. Società Esercizi	2013	69	1,329	424	—	1,252	179	7,501	—
Commerciali Industriali spa	2012	49	1,258	57	—	1,354	540	11,000	—
	2011	—	649	1	—	92	521	2,500	1,382
Associates									
ARENARIA S.R.L.	2013	84	—	—	—	1	—	—	—
	2012	51	—	—	—	1,763	—	—	—
	2011	—	—	—	—	219	—	—	—
ENERRAY S.R.L.	2013	—	17	—	—	—	—	—	—
	2012	—	24	—	—	—	17	—	—
	2011	—	172	—	—	—	—	—	—
ERIDANIA SADAM S.P.A.	2013	6	—	—	—	50	—	—	—
	2012	10	—	—	—	—	—	—	—
	2011	—	—	—	—	—	—	—	—
PRAMA S.R.L.	2013	—	29	—	—	—	—	—	—
	2012	—	120	—	—	84	12	—	—
	2011	—	—	—	—	—	—	—	—
S.A.P.A.B.A. S.p.A.	2013	41	110	—	—	—	41	—	—
	2012	—	23	—	—	—	28	—	—
	2011	70	—	—	—	32	—	—	—
SAMP USA	2013	—	—	—	—	—	—	—	—
	2012	—	10	—	—	—	—	—	—
	2011	—	—	—	—	4	—	—	—
SECI ENERGIA S.P.A.	2013	32	—	—	—	39	—	—	—
	2012	32	9	—	—	39	6	—	—
	2011	31	—	—	—	61	—	—	—
SECI REAL ESTATE S.P.A.	2013	—	220	—	—	—	268	—	—
	2012	—	332	—	—	—	155	—	—
	2011	16	—	—	—	—	—	—	—

The main related-parties transactions with the Parent relate to the rental of the buildings in which the Group company undertakes its activities and to financial relations, mainly connected to the current financial account. The transactions with the other associates are of general commercial nature.

All the related parties transactions are carried out at market conditions.

39. SUBSEQUENT EVENTS

There are no significant events occurred after the reporting date for the years ended December 31, 2013, 2012 and 2011.

Annex A—Summary of certain differences between Italian-GAAP and IFRS

This Offering Memorandum contains historical financial information derived from (i) our audited consolidated financial statements as at and for the years ended December 31, 2011, 2012 and 2013, prepared pursuant to the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statements, as interpreted by and integrated with the accounting principles established by the Organismo Italiano di Contabilità (OIC) and those previously established by *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* and reviewed by the OIC (the "Italian accounting profession") and (ii) our unaudited condensed consolidated financial statements as at and for the three month period ended March 31, 2014 and 2013, prepared in accordance with OIC 30, "Interim Financial Reporting", the Italian accounting standard that governs the preparation of interim financial statements. Such rules, together with the various principles, pronouncements and interpretations of the Italian accounting profession, are collectively referred to as Italian generally accepted accounting principles ("**Italian-GAAP**").

The matters described below summarize certain significant differences between Italian-GAAP and IFRS that may be material to the financial information included in this Offering Memorandum. We have not prepared a qualitative or quantitative reconciliation of our consolidated financial statements and related footnote disclosure between Italian-GAAP and IFRS; accordingly, we cannot assure you that this summary is complete. In making an investment decision, you must rely upon your examination of the Group and the financial statements included elsewhere in this Offering Memorandum. You should consult your own professional advisers for an understanding of the differences between Italian-GAAP and IFRS and how those differences might affect the financial information included in this Offering Memorandum.

The differences highlighted below reflect only those differences in accounting policies in force at the time of the preparation of the Italian-GAAP audited consolidated financial statements. No attempt has been made to identify future differences between Italian-GAAP and IFRS, as the result of prescribed changes in accounting standards, transactions or events that may occur in the future. Regulatory bodies that promulgate Italian-GAAP and IFRS have significant ongoing projects that could affect future comparisons, such as this one between Italian-GAAP and IFRS. Future developments or changes in Italian-GAAP and IFRS may give rise to additional differences between Italian-GAAP and IFRS, which could have a significant impact on the Group.

Start-Up Costs

Under Italian-GAAP, certain costs related to the formation, start-up, ongoing marketing and research projects of a company may be deferred and capitalized as an intangible asset and amortized on a straight-line basis over a period not exceeding five years, if certain conditions are met. When impairment exists, the recoverable amount related to these costs is written down.

Under IFRS, start-up, marketing and research costs are expensed as incurred. In addition, costs for research and development, including those incurred for the production of internal use software, are required to be expensed until such time as the products are determined to be commercially feasible.

Revaluation and Impairment of Property, Plant and Equipment and Intangible Assets

Under Italian-GAAP, revaluation of property, plant and equipment and intangible assets is permitted to the extent allowed by specific Italian laws. The amount of the revaluation increases the value of the related property, plant and equipment and intangible assets, with a corresponding increase in shareholders' equity reserves. Depreciation or amortization is calculated based on the restated value. According to Italian-GAAP, property, plant and equipment and intangible assets are generally tested for impairment when circumstances indicate a potential impairment. Only impairments that are other than temporary are recognized as a cost in the statement of income. When there is a change in economic conditions, previous impairment charges can be reversed.

Under IFRS, there are two possible approaches. The benchmark treatment requires an asset to be carried at cost, less accumulated depreciation or amortization and impairment. Under the alternative treatment, revaluation of property, plant and equipment at fair value is permitted. Increases in the carrying amount of an asset as a result of a revaluation must be credited directly to shareholders' equity in the revaluation reserve, unless it reverses a revaluation decrease for the same asset that was previously recognized as an expense. In such a case, the increase must be recognized in the income statement. A revaluation decrease must be charged directly against any related revaluation reserve for the same asset, with any excess being recognized as an expense. An entity must assess annually whether there are any indications that an asset may be impaired. If such indication exists, and unless the fair value less costs to sell is higher than the carrying value of the asset, the impairment analysis to determine its

value in use compares discounted expected future cash flows to be generated from such an asset to its current carrying value. If the discounted expected future cash flows are lower than the carrying value of the asset, the difference is accounted for as an impairment. An impairment loss must be recognized in the income statement when an asset's carrying amount exceeds its recoverable amount. Except for goodwill, once recognized, impairments must be reversed if impairment losses no longer exist.

Capital Costs (Costs of an Equity Transaction)

Under Italian-GAAP, costs directly attributable to the equity transaction are capitalized as intangible assets and amortized over the expected period of utilization, which cannot however exceed five years starting from the year in which the costs were incurred.

Under IFRS such costs are directly attributable to the equity transaction (i.e. fees paid to lawyers, accountant, investment bankers for a capital increase.) and are accounted for as a direct deduction from the shareholders' equity, net of any related income tax benefit.

Debt Issuance Costs

Under Italian-GAAP debt issuance costs (underwriting, legal and other direct costs incurred in connection with the issuance of debt) may be capitalized and amortized on a straight-line basis over the life of the debt.

Under IFRS, debt issuance costs are treated as a reduction of the liability recorded in connection with the loan received and amortized using the effective interest rate method over the life of the debt.

Business combinations and goodwill

A business combination involves bringing together separate entities into one economic entity. An acquisition is where one of the combining entities obtains control over the other, enabling a purchaser to be identified. A uniting of interests (pooling) occurs where it is not possible to identify a purchaser; instead the shareholders of the combining entities join together in substantially equal arrangements to share control.

Under Italian-GAAP, the classification of a business combination as a uniting of interests or as an acquisition is largely dependent on the legal form. Moreover, certain business combinations can be classified as a uniting of interests even if a purchaser can be identified and cash was present in the transaction. In addition, Italian-GAAP allows flexibility as to the effective date of a business combination, especially with respect to mergers, and it can be established retroactively to the beginning of the fiscal year, irrespective of when the business combination or operating control may have actually occurred.

Under Italian-GAAP, goodwill arising from the acquisition of a business (or consolidation differences) are capitalized and amortized on a straight-line basis over the period of its estimated useful life, up to a maximum of 20 years.

Under IFRS, business combinations are accounted for using the purchase method. A business combination is reflected in the financial statements at the date of consummation, which is the date the purchaser obtains control of the acquisition target. Specific IFRS guidance about business combinations excludes from its scope transactions among entities under common control. At the transition date, a first time adopter of IFRS has the possibility to apply certain exemptions to the purchase method with respect to the business combinations consummated before the transition date. Under IFRS changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in the shareholders' equity and attributed to the owners of the parent.

Goodwill acquired as the result of a business combination is initially measured at cost, represented by the excess of the consideration transferred over the Group's share of the net fair value of the identifiable assets acquired and identifiable liabilities and potential liabilities assumed. Under IFRS, goodwill is initially recognized at cost, not subject to amortization and adjusted for impairment losses. This calls for the recognition at fair value of the identifiable assets (including intangible assets not previously recorded) and of the identifiable liabilities (including potential liabilities) of the business acquired. For the purpose of impairment testing, goodwill acquired

in a business combination is, from the acquisition date, allocated to each of the acquirer's cash generating unit, or groups of cash generating units, that are expected to benefit from the synergies of the combination. This allocation occurs irrespective of whether other assets or liabilities of the acquiree are assigned to those cash generating units or groups of cash generating units.

Business combinations carried out after January 1, 2010 are recognized and measured in accordance with the provisions of the revised IFRS 3. Accordingly, the consideration transferred (acquisition cost) includes the fair value of the assets and liabilities transferred and the fair value of all interests that the acquirer may have held previously in the acquired business. The acquirer may measure any non-controlling interest resulting from a business combination at fair value or at the fair value of the proportion of the non-controlling interest of identifiable assets and liabilities Costs directly attributable to the business combination are expensed as incurred in the income statement as administrative costs. Contingent consideration is required to be recognized at fair value from the acquirer. All subsequent changes in the fair value of contingent consideration are recognized in the income statement or in the statement of comprehensive income as per IAS 39. If the contingent consideration is classified as shareholders' equity then there will be no re-measurement and it will be derecognized from shareholders' equity.

Consolidation and investment in subsidiaries

Under Italian-GAAP, a subsidiary with activities dissimilar to that of the parent can be excluded from consolidation if such exclusion is essential for the consolidated financial statements to present a true and fair view of the state of affairs of the parent. Subsidiaries excluded from the consolidation are accounted for under the equity method. It is also possible to exclude from the consolidation those subsidiaries that are considered "immaterial" or that are in liquidation. Italian-GAAP also allow the proportional consolidation of joint ventures, even in the event that liability is joint and several.

Under IFRS, subsidiaries must be excluded from consolidation if there are severe long-term restrictions on the exercise of the parent's rights to obtain economic benefit or if the parent acquires the subsidiary and holds it exclusively for subsequent re-sale in the near future. Subsidiaries that have dissimilar activities compared to the parent cannot be excluded from consolidation. Under IFRS, entities that are excluded from consolidation may be classified as either financial assets available-for-sale or held for trading and measured at fair value.

Classification and accounting for investment securities

Under Italian-GAAP securities held-to-maturity of the Group are valued at acquisition or subscription cost adjusted for the portion of the difference between the cost and the redemption value accrued during the year and for the portion of issue differences. In case of impairments other than temporary, appropriate adjustments are made. Write-downs are partly or entirely reversed in subsequent years if the underlying assumptions are no longer applicable. Italian-GAAP also allows the treatment of a company's own shares (such as treasury shares) to be accounted for as an investment, and securities in otherwise consolidated subsidiaries to be classified as "marketable securities", despite the fact that the entity is otherwise consolidated.

Securities held for sale are valued at the lower of purchase cost (calculated according to the continuous average cost method) and fair market value.

Interest on portfolio securities is recognized in the income statement through computation of the related accrued interest.

The shares of non-controlling interests are usually valued at cost. If the underlying shareholders' equity, resulting from the respective financial statements following the time of acquisition, shows an impairment other than temporary, the related write-down is provided for.

Any write-downs recognized in previous years (up to the amount of the purchase cost), when reverse are recognized to income in the income statement.

IFRS have detailed guidance on the measurement of financial assets. Certain categories of financial assets are measured at amortized cost using the effective interest rate method, whereas other assets must be measured at fair value. Under IFRS, all financial assets fall into four categories. Each category of financial asset is measured as follows:

- loans and receivables are measured at amortized cost using the effective interest rate method, less reduction for impairment or uncollectibility;

- held-to-maturity investments (debt securities held with a positive intent and ability to hold to maturity) are measured at amortized cost using the effective interest rate method, less reductions for impairment or uncollectibility;
- financial assets at fair value through profit and loss (debt and equity securities held for sale in the short term) are measured at fair value with unrealized gains and losses recognized in the income statement; and
- financial assets available-for-sale (debt and equity securities not included in the above categories) are measured at fair value, with unrealized gains and losses recognized directly in the shareholders' equity, through the statement of changes in shareholders' equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or losses previously recognized in the shareholders' equity shall be recognized in the income statement. However, interest calculated using the effective interest method is recognized in the income statement.

Certain significant projects are ongoing on this matter for which the IASB is currently reviewing certain aspects of the classification and measurement model that could affect our financial statements.

All financial assets are subject to review for impairment. If impairment is recognized for financial assets carried at amortized cost, the carrying amount of the asset is reduced to its estimated recoverable amount, with the loss recognized directly in the income statement. If, in a subsequent period, the amount of the impairment decreases and the decrease can be objectively related to an event occurring after the write-down, the write-down of the financial asset should be reversed. The amount of the reversal is recognized in the income statement.

IFRS requires treasury shares to be deducted from shareholders equity and not treated as an asset. Finally, all shares in subsidiaries that qualify for consolidation must be consolidated, no shares in such controlled subsidiaries can be treated as "marketable securities":

Employee Severance Indemnities

Under Italian-GAAP, employee severance indemnities ("**TFR**") are accrued, net of advances paid, on the basis of the amount that would be payable to the employee if he or she left the company at year-end, without taking into account future leaving or discounting the liability.

Under IFRS, employee benefit obligations must be accrued using the "projected unit credit method," which requires the assessment, on an actuarial basis, of the liability. The actuarial assumptions include expected mortality rates, discount rates, expected return on plan assets and expected levels of future compensation increases.

Borrowing Costs

In accordance with Italian-GAAP, the capitalization of interest is allowed only in limited circumstances and when a specific borrowing can be attributed to purchase, property, equipment or intangible assets, both internally developed or purchased.

Capitalization of borrowing costs is not mandatory under IFRS: two methods of accounting exist. According to the benchmark treatment, borrowing costs are recognized as an expense in the period in which they are incurred, irrespective of the use of the proceeds from the borrowings; according to the allowed alternative treatment, borrowing costs are expensed as incurred, except to the extent they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset. Entities that adopt this treatment shall apply it consistently to all borrowing costs that are directly attributable to the acquisition, construction or production of all qualifying assets.

Loans and Accessory Charges

Under Italian-GAAP, loans are recorded at their nominal amount and the accessory charges for subscribing the loan are capitalized and amortized over the life of loan.

Under IFRS loans are initially recorded at the fair value of the sums received net of the accessory charges for subscribing the loan. Thereafter, loans are recorded at amortized cost, calculated using the effective interest rate.

Derecognition of Assets Transferred to Factors

Under Italian-GAAP, accounts receivable definitely transferred (under "without recourse" conditions), and for which the insolvency risk is transferred to the factor, should be derecognized from the balance sheet and the difference between the amount received from the factor and the original amount of the transferred accounts receivable should be recognized in the income statement. Where the insolvency risk is not transferred to the factor ("with recourse" conditions), the Company can derecognize accounts receivable from balance sheet and the amount of accounts receivable transferred shall be disclosed in the memorandum accounts, providing, if necessary, additional information in the explanatory notes.

Under IFRS, the derecognition of assets transferred to the factor, irrespective of the contractual conditions ("with recourse" or "without recourse"), is subject to a complex evaluation process, which takes into account both the transfer of the right to collect the expected cash flow and the extent of this transfer (risks and benefits associated with the transferred asset) and the conditions according to which the factor may freely dispose of the transferred asset. IAS 39 provides a decision tree based on which it is possible to evaluate the possibility of derecognition of assets from balance sheet. on the basis of the transferal of risks and benefits.

Provision for Risks and Charges

Under Italian-GAAP, provisions for liabilities and charges should be made to cover losses or debts, the nature of which are clearly defined and which at the reporting date are either likely to be incurred or certain to be incurred, but for which the amount, or the date on which they will arise, is uncertain. The amount of future cash expenditures expected to be required to settle the obligation is not required to be discounted.

Under IFRS, a provision should only be made when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that a future outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

Hedging Contracts and Derivatives

Under Italian-GAAP, the fair value of derivative contracts entered to hedge the risk that interest rates may change on specific loans, is not accounted for, and disclosure given in the explanatory notes of the financial statements.

Under IFRS all derivative financial instruments are stated at fair value, if a contract is designated as and is considered effective as a hedge, it must be recognized in the statement designated as a "cash flow" or a "fair value" hedge. Gains and losses of "cash flow" hedges are deferred as a component of shareholders' equity. The deferred gains and losses are then recognized in the income statement when the hedged item affects the income statement. Gains and losses of "fair value" hedges are recognized in the income statement during the year incurred. Where the conditions necessary for the application of hedge accounting do not exist, the gains or losses deriving from the valuation of the derivative financial instrument at fair value are recorded directly in the income statement.

Deferred taxes

Under Italian-GAAP, deferred tax assets, including expected benefits from tax loss carry-forwards, are not recognized unless there exists evidence that the assets will be realized with reasonable certainty. Deferred tax liabilities are not recognized when the taxes to be paid on the reversal of the temporary difference is remote and recognition of deferred income taxes on retained earnings that would be subject to taxation upon distribution is not required when it is not management's intention to distribute such earnings.

Under IFRS, a deferred tax asset should be recognized for all deductible temporary differences (and the carry forward of unused tax losses and credits), to the extent that it is probable that taxable profit will be available against which the deductible temporary difference (or unused tax losses and credits) can be utilized. A deferred tax liability is recognized by an entity for all taxable temporary differences with specific and limited exceptions.

Revenue Recognition

Under Italian-GAAP, revenues are recorded according to the principle of prudence and on an accrual basis, with the recognition of the related accruals and deferrals.

Under IFRS, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is generally recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following four conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Furthermore when the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue should be recognized only to the extent of the expenses recognized that are recoverable.

Extraordinary income and expenses

Under Italian-GAAP extraordinary income and expenses (including gains and losses on disposal of property, plant and equipment and intangible assets, impairments charges, restructuring costs, exit costs, adjustments of prior year accruals and taxes. are disclosed separately in the income statement.

Under IFRS all income and expenses are considered related to the ordinary activities of the entity, therefore any income and expenses is allocated by nature to the pertinent line item of the income statement.

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