NOT FOR DISTRIBUTION IN THE UNITED STATES

L'Isolante K-Flex S.p.A.

(incorporated as a joint stock company (società per azioni) under the laws of the Republic of Italy)

€180,000,000 4.25 per cent. Notes due October 2023

guaranteed fully and unconditionally by K-FLEX LLC (K-FLEX Limited Liability Company) and K-FLEX USA LLC (K-FLEX USA Limited Liability Company)

The issue price of the €180,000,000 4.25 per cent. Notes due October 2023 (the "**Notes**") of L'Isolante K-Flex S.p.A. (the "**Issuer**") is 100.00 per cent. of their principal amount. The Notes will comprise €77,140,000 in aggregate principal amount of Notes to be issued in exchange for existing securities pursuant to the Exchange Offer referred to under "Exchange Offer" below (the "**Exchange Notes**") and €102,860,000 in aggregate principal amount of additional Notes to be issued for subscription for cash (the "**Additional Notes**"). The Exchange Notes and the Additional Notes constitute the same class and form a single series of Notes.

Unless previously redeemed and cancelled or purchased, the Notes will be redeemed at their principal amount on 7 October 2023. The Notes are subject to redemption, in whole but not in part, at their principal amount, plus interest, if any, to the date fixed for redemption at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy. In addition, the holder of a Note may, by the exercise of the relevant option, require the Issuer to redeem such Note at its principal amount together with accrued and unpaid interest (if any) upon the occurrence of a Change of Control (as defined below). The Issuer may also elect to redeem all, but not some only, of the Notes at a fixed amount over par. See "*Terms and conditions of the Notes — Redemption and Purchase*".

The Notes will bear interest from 7 October 2016 (the "**Issue Date**") at the rate of 4.25 per cent. per annum payable annually in arrear on 7 October in each year commencing on 7 October 2017. Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under "*Terms and conditions of the Notes - Taxation*".

The Notes will constitute direct, general and unconditional obligations of the Issuer which will at all times rank pari passu among themselves and at least pari passu with all other present and future unsecured obligations of the Issuer, save for certain mandatory exceptions of applicable law.

The Notes will be guaranteed on a joint and several basis by each of K-FLEX LLC (K-FLEX Limited Liability Company) and K-FLEX USA LLC (K-FLEX USA Limited Liability Company) (each, a "**Guarantor**", and together, the "**Guarantors**"). The Issuer and the Guarantors together represent around 75% of the Consolidated EBITDA.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Luxembourg Stock Exchange's Euro MTF Market (the "**The Euro MTF**"). The Euro MTF Market of the Luxembourg Stock Exchange is not a regulated market pursuant to the provisions of Directive 2004/39/EC on markets in financial instruments, as amended. This Offering Memorandum constitutes a prospectus for the purposes of part IV of the Luxembourg law on prospectuses for securities dated July 10, 2005, as amended.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Sole Lead Manager (as defined in "Subscription and sale") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions on transfers of the Notes, see "Subscription and Sale". Investing in the Notes involves risks. See "Risk factors" beginning on page 1 of this Offering Memorandum for a discussion of certain risks prospective investors should consider in connection with any investment in the Notes.

The Notes will be in bearer form in the denomination of €100,000 each and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") (or other relevant clearing system) allow, in denominations of €1,000 in excess of €100,000, up to and including €199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around the Issue Date with a common safekeeper for Clearstream, Luxembourg. The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**", and together with the Temporary Global Note, each a "**Global Note**"), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in principal amounts equal to €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, each with interest coupons attached. No Notes in definitive form will be issued with a denomination above €199,000. See "Summary of provisions relating to the Notes in Global Form".

The Notes are expected to be rated "BB-" by Fitch Ratings Limited ("**Fitch**"). Fitch is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Fitch appears on the latest update of the list of registered credit rating agencies on the ESMA website http://www.esma.europa.eu.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

ARRANGER, SOLE LEAD MANAGER AND SOLE BOOKRUNNER

EQUITA
SIM SpA

Offering Memorandum dated 5 October 2016

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Offering Memorandum and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum, to the best of its knowledge, is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to EQUITA S.I.M. S.p.A. (the "**Arranger**" and the "**Sole Lead Manager**") that this Offering Memorandum contains or incorporates all information regarding the Group (where "**Group**" means the Issuer and its subsidiaries as of the date of this Offering Memorandum) and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Memorandum on the part of the Issuer or the Group are honestly held or made and are not misleading in any material respect; this Offering Memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

To the fullest extent permitted by law, none of the Sole Lead Manager, BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**") or The Bank of New York Mellon, as principal paying agent (the "**Principal Paying Agent**") accepts any responsibility for the contents of this Offering Memorandum or for any other statements made or purported to be made by the Sole Lead Manager or on its behalf or by the Trustee or on its behalf or by the Principal Paying Agent or on its behalf in connection with the Issuer or issue and offering of any Note. Each of the Sole Lead Manager, the Trustee and the Principal Paying Agent disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Memorandum or any such statement.

This Offering Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents incorporated by reference*"). This Offering Memorandum should be read and construed on the basis that such documents are incorporated in and form part of this Offering Memorandum.

Investors should rely only on the information contained in this Offering Memorandum. The Issuer has not authorised anyone to provide investors with different information. The initial purchasers are not and the Issuer is not making any offer of the Notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the cover of this Offering Memorandum regardless of the time of delivery of this Offering Memorandum or of any sale of the Notes.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Memorandum or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Sole Lead Manager.

Neither the delivery of this Offering Memorandum nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained herein concerning the Issuer and/or its Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer and/or its Group since the date of this Offering Memorandum.

Neither this Offering Memorandum nor any other information supplied in connection with the offering, sale or delivery of any Note (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Sole Lead Manager that any recipient of this Offering Memorandum or any other information supplied in connection thereto should purchase any Note. Each investor contemplating purchasing any Note should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Neither this Offering Memorandum nor any other information supplied in connection with the issue of the Note constitutes an offer or invitation by or on behalf of the Issuer or the Sole Lead Manager to any person to subscribe for or to purchase any Notes.

This Offering Memorandum does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

Each recipient of this Offering Memorandum shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Group (as defined below) and of the rights attaching to the Notes.

The distribution of this Offering Memorandum and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Sole Lead Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Memorandum and other offering material relating to the Notes, see "*Subscription and sale*".

In particular, the Notes have not been, and will not be, registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Memorandum, unless otherwise specified, references to a "Member State" are references to a Member State of the European Economic Area and references to "€", "EUR" or "Euro" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to "billions" are to thousands of millions.

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Forward-looking statements

This Offering Memorandum may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “will”, “would” or similar words. These statements are based on the Issuer’s current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer’s strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

PRESENTATION OF FINANCIAL INFORMATION

General

The financial information included in this Offering Memorandum has been derived from the audited consolidated financial statements of the Issuer as of and for the years ended, respectively, 31 December 2014 and 31 December 2015 (the "**Audited Consolidated Financial Statements**"). The Audited 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**")

The information in this Offering Memorandum relating to the revenue generated by product 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.

Furthermore, in determining the revenue by geographic area the Issuer 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 the Issuer may present its consolidated financial statements in accordance with IFRS or, in the event of a Change of Registered Office (as defined in the "Terms and Conditions of the Notes"), local accounting principles in the jurisdiction in which the Issuer has its registered office ("**Local GAAP**", pursuant to which the Issuer may be required to present segment information. The segment information that the Issuer may be required to present in accordance with IFRS or Local GAAP may differ from the information by business activity provided. The Issuer's 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, the Issuer has prepared its consolidated financial statements in accordance with Italian-GAAP. The Issuer may adopt IFRS or Local GAAP for its consolidated financial statements in future years.

In the event that the Issuer adopts IFRS or Local GAAP, the terms and conditions of the Notes still requires the Issuer to report according to the Italian-GAAP, and the covenant calculations will be based on the latter standards (subject, in each case, to Condition 4(e) (*Accounting policies*).

Because there are significant differences between Italian-GAAP and IFRS or Local GAAP, if the Issuer was to prepare its financial statements on the basis of IFRS or Local GAAP instead of Italian-GAAP, there could be substantial differences in its results of operations, cash flows and financial position, including levels of indebtedness. In addition, the Issuer's covenants may become more or less restrictive from time to time, depending upon the effect of the standards the Issuer adopts.

Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between Italian GAAP and IFRS or Local GAAP 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 the Issuer reports its revenue in the following main geographical segments: (i) Asia, which includes all countries in Asia (excluding Australia), (ii) EMEA (excluding Russia and Poland and including all countries in Europe, the Middle East and Africa), (iii) Russia and Poland, and (iv) Americas, including North, Central and South America).

Industry and market data

In this Offering Memorandum, the Issuer relies on and refers to information regarding the Issuer's business and the market in which the Issuer operates and competes. 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 the Issuer's 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 the Issuer's business contained in this Offering Memorandum was estimated or derived based on assumptions the Issuer deems reasonable and from its 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.

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 the Issuer to rely on its own internally developed estimates regarding the industry in which the Issuer operates, its position in the industry, its market share and the market shares of various industry participants based on its experience, its own investigation of market conditions and its review of industry publications, including information made available to the public by its competitors. None of the Issuer or the Group can assure you of the accuracy and completeness of, or take any responsibility for, such data. Similarly, whilst the Issuer believes its internal estimates to be reasonable, these estimates have not been verified by any independent sources and neither the Issuer can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Unless otherwise indicated, data on the Issuer's market position and market share is based on revenue for the year ended 31 December 2015. The Issuer's estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk factors*" below.

ENFORCEABILITY OF JUDGMENTS

The Issuer is incorporated as a joint stock company under the laws of the Republic of Italy. K-FLEX LLC and K-FLEX USA LLC are incorporated as limited liability companies in the Russian Federation and the USA, respectively. Substantially all of the Issuer's and the Guarantor's assets are located outside the United Kingdom, and may be located outside other jurisdictions in which investors may be located. In addition, most of the directors and members of the Issuer's and the Guarantor's senior management are nationals or residents of jurisdictions other than the United Kingdom, and may not be nationals or residents of other jurisdictions in which investors may be located, and all or a substantial portion of their assets are located outside the United Kingdom, and may be located outside other jurisdictions in which investors may be located. In particular, substantially all of the K-FLEX LLC operating assets are located in the Russian Federation, and several of the directors and members of the K-FLEX LLC senior management are nationals or residents of the Russian Federation and all or a substantial portion of their assets are located in the Russian Federation.

It may be difficult for the Noteholders or the Trustee to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom, liabilities predicated upon English laws. Courts in the Russian Federation will generally recognise judgments rendered by a court in any jurisdiction outside the Russian Federation only if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the jurisdiction where the judgment is rendered or a federal law is adopted in the Russian Federation providing for the recognition and enforcement of foreign court judgments. No such treaty for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters exists between the Russian Federation and certain other jurisdictions, including the United Kingdom, and no relevant federal law on enforcement of foreign court judgments has been adopted in the Russian Federation. As a result, new proceedings may have to be brought in the Russian Federation in respect of a judgment already obtained in any such jurisdiction against the Issuer or its officers or directors or the Guarantors or their officers or directors. These limitations, as well as the general procedural grounds set out in Russian legislation for the refusal to recognise and enforce foreign court judgments in the Russian Federation, may significantly delay the enforcement of such judgments or deprive the Noteholders of effective legal recourse for claims related to the investment in the Notes.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognised by a Russian court on the basis of reciprocity, if courts of the jurisdiction where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. We are aware of some instances in which Russian courts have recognised and enforced foreign court judgments (including a judgment of an English court), on the basis of the principle of reciprocity and (in case of enforcement of an English court judgment) the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and the Russian Federation are parties. The courts determined that such treaties constituted grounds for the recognition and enforcement of the relevant English court judgment in Russia. In the absence of established court practice, however, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce an English court judgment on these grounds.

K-FLEX LLC has not submitted to the jurisdiction of any courts, but instead has agreed to resolve disputes involving K-FLEX LLC by arbitration in London, England conducted in accordance with the rules of the LCIA (the "**LCIA Rules**"). The Russian Federation and the United Kingdom are parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, Russian courts should generally recognise and enforce in the Russian Federation an arbitral award from an arbitral tribunal in the United Kingdom on the basis of the rules of the New York Convention (subject to qualifications provided for in the New York Convention and compliance with Russian procedural regulations and other procedures and requirements established by Russian legislation).

The Arbitrazh Procedural Code of the Russian Federation (the "**Arbitrazh Procedural Code**") sets out the procedure for the recognition and enforcement of foreign arbitral awards by Russian courts. The Arbitrazh Procedural Code also contains a list of grounds for the refusal of recognition and enforcement of foreign arbitral awards by Russian courts, which grounds are broadly similar to those provided by the New York Convention.

The Arbitrazh Procedural Code and other Russian procedural legislation could change, and other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future.

Furthermore, any arbitral award pursuant to arbitration proceedings in accordance with the LCIA Rules and the application of English law to the obligations of K-FLEX LLC may be limited by the mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies and credit organizations in particular.

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CONTENTS

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RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Group and the industry in which it and the Group operates together with all other information contained in this Offering Memorandum, including, in particular, the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Memorandum have the same meanings in this section.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to them and which they may not currently be able to anticipate.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES

Risks related to the business in which the Issuer operates

The international presence of K-Flex, particularly in emerging markets, exposes the Group to risks inherent to international business (including difficulties in enforcing its legal rights in certain foreign jurisdictions), any of which could affect its results.

K-Flex distributes products to over 60 countries; as part of its business strategy, K- Flex will continue to seek to expand its 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, the effectiveness of the court system for resolving disputes and control of foreign exchange. Many of the countries where the Group operates 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. Any or all of these factors may have a negative effect on the Group's business, results of operations and financial condition.

There may be limited scope for the growth of the market for elastomeric products generally. Future growth may depend, in part, on developing new applications and end-markets for products.

The Issuer operates in a market niche that may offer limited opportunities for growth. The insulation market is divided into segments according to the type of material used (fibreglass, polystyrene and other organic products, elastomeric). The fibreglass and polystyrene segments are dominated by big conglomerates, whilst the elastomeric segment is a niche market with only two international players (K-Flex and Armacell) covering the greater part of the market. The elastomeric market appears to be attractive in terms of growth prospects and profitability, but is in size is much smaller than fibreglass and polystyrene markets.

Changes in legislative, regulatory or industry requirements or competitive technologies may render certain of the Group's products obsolete. K-Flex places a high priority on developing new products, as well as enhancing its existing products, and its success depends on its ability to anticipate changes in regulatory and technology standards and to cultivate new applications for its products as the end-markets in which K-Flex operates. An inability to successfully develop and introduce new solutions and new markets for K-Flex products in response to changes in regulations, changing market conditions or customer requirements or demands, could adversely affect the Group's business, results of operations and financial condition.

The Group may experience difficulties in executing its business strategy.

K-Flex's ability to increase net sales and net operating margins depends on, among other things, the success in executing the Group's business strategy, including the functional and geographical expansion of the business into new countries and markets that could potentially contribute to the growth. The Group may not succeed in implementing its current or future business strategy in full or part, or within the envisaged times. Failure to execute its business strategy may have a material adverse effect on the Issuer's and the Group's business, financial condition and results of operations.

The Group is exposed to commodity price risk.

The Group manufactures and markets rubber insulation products. It is exposed to market risks arising from changes in commodity prices. The risk of changes in prices, and thus in cash flows, is closely intertwined with the very nature of the business and may only be partially mitigated through recourse to appropriate risk management policies, such as the diversification of key suppliers and customers.

The Group's results are influenced by changes in the prices of the products and services sold. Raw materials incidence on price is a relevant aspect, but in general pass-through to clients is well managed. Price increase is however, effective 3 to 6 months after the update. Total costs for raw materials and consumables have an incidence on sales of approximately 47%.

An increase in commodity prices may make it more difficult for K-Flex to market and distribute its products. In addition, volatility in commodity prices may prevent the Group from effectively managing its purchases and sales and achieving consistent margins. Any of these factors may have a negative effect on the Group's business, results of operations and financial condition.

Events beyond K-Flex's control, including weather conditions and natural disasters, unexpected geological or physical conditions, or criminal or terrorist attacks, among other things, may affect timing, costs and ability to complete orders.

K-Flex currently operates 10 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 hurricanes in the U.S. 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 the manufacturing facilities and delays in the completion of orders. 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. K-Flex may not always be able to pass any cost increases due to such unfavorable conditions to customers, and as a result, the occurrence of such an event could adversely affect the business, results of operations and financial condition.

K-Flex business depends on certain key persons and the loss of such persons may affect its business and its ability to implement current and future strategies.

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

As K-Flex expands its presence in emerging markets it may be difficult to find management or technical personnel who are qualified to operate its business and are dedicated to providing products in a manner consistent with K-Flex high product quality standards.

Failure to successfully maintain health and safety policies and procedures could expose the Group to liability

Manufacturing large-scale products is inherently dangerous. K-Flex has adopted health and safety policies and procedures in order to minimize such risks. There can be no assurance, however, that a failure in such policies and procedures will not occur. Any failure of, or accident caused by, K-Flex products or production equipment could expose the Group to investigations, prosecutions and/or civil litigation, each of which could result in an increase in costs for fines, settlements and management time. Accidents in, for example, the oil and gas sector could be particularly significant and lead to significant financial cost and environmental issues. Such failures could also adversely affect the Group’s reputation and its ability to attract new customers. If any of the foregoing circumstances were to occur, this could adversely affect the Issuer’s business, results of operations and financial condition.

Risk management and internal controls may not prevent or detect violations of law

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

Insurance coverage may not be adequate to cover all possible losses that the Group could suffer and its insurance costs may increase

K-Flex insurance policies are subject to limits and exclusions. Furthermore, the 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 the K-Flex insurance program would be sufficient to cover all potential losses (including, without limitation, those resulting from earthquakes, floods, fire, hurricanes, environmental hazards or terrorist acts). 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 the Issuer's 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. K-flex has also had instances where insurance carriers have disputed coverage and have argued that policies do not cover certain losses. An uninsured or underinsured loss could adversely affect business, results of operations and financial condition. Significant damage to any of the Group's facilities could also prevent the Group from manufacturing its products for a significant period of time. All of the above could adversely affect the Issuer's business, results of operations and financial condition.

Fluctuations in exchange rates

The K-Flex Group uses Euros as a basis for its financial accounting. Although a significant majority of the Group's business activities are mainly conducted in Euros and the Group holds substantial Euro denominated assets and liabilities, the K-Flex Group also conducts its business activities and holds assets and liabilities in a number of other currencies, some of which are not freely convertible or subject to government restrictions. Consequently, the Group's exposure to exchange rates varies according to a number of factors including the timing of financial transactions and the currency denomination of revenues and costs, including capital investment.

The group has adopted policies to manage exchange rate risks and it monitors its exposure to exchange rate risks, in order to limit and, where possible, minimize the sensitivity of its results to fluctuations in exchange rates. Furthermore, the contracts and agreements entered into by the Group in the ordinary course of its measures, it is not possible to exclude the possibility that unforeseen sharp fluctuations in exchange rates could occur in the short-medium term and could cause a corresponding reduction in revenues in terms of Euros or cause an increase of costs in terms of Euros, the impact of which may have a material adverse effect on the Issuer's and the Group's business, financial condition and results of operations.

Interest rate risk

The Group uses various external sources of financing in the form of both short-term and medium/long-term debt and is therefore exposed to borrowing costs and interest rate volatility. Although the K-Flex Group has implemented hedging transactions in the form of derivative instruments (interest rate swaps) in order to mitigate such risk, there can be no assurances that such hedging transactions will be adequate to cover all potential interest rate risks which could therefore adversely affect the Issuer's business, results of operations and financial condition.

Liquidity risk – the Group may not have enough cash available to service its debt.

The Group's ability to make scheduled payments on the Notes and to meet its other debt service obligations or to refinance its debt depends on future operating and financial performance, which will be affected by the Issuer's ability to successfully implement its business strategies as well as general economic, financial, competitive, regulatory, technical and other factors. If the Group is not able to generate sufficient cash to meet its debt service requirements, K-Flex may, among other things, needs to refinance all or a portion of the debt, including the Notes, obtain additional financing, delay planned capital expenditure or sell material assets. The Group cannot assure that will be able to refinance any of its debt, including the Notes, on commercially reasonable terms, if at all. If K-Flex is not able to refinance any of its debt, obtain additional financing or sell assets on commercially reasonable terms or at all, the Group may not be able to satisfy its obligations with respect to its debt, including the Notes.

K-Flex has not included IFRS financial information in this Offering Memorandum, and there may be differences between financial position and results of operations prepared in accordance with Italian-GAAP and IFRS.

The K-Flex Group consolidated financial statements included in this offering memorandum are based on Italian-GAAP, which differs in certain respects from IFRS. K-Flex has not presented a reconciliation of financial statements to IFRS in this offering memorandum. K-Flex may adopt IFRS for consolidated financial statements in future years. Because there are differences between Italian-GAAP and IFRS, if K-Flex prepares its financial statements on the basis of IFRS instead of Italian-GAAP, there could be substantial differences in the results of operations, cash flows and financial position, including levels of indebtedness.

K-Flex occasionally operates its subsidiaries with the support of minority investors and through joint ventures with partners, each of whose interests may not be fully aligned with those of the K-Flex

K-Flex occasionally operates its subsidiaries with the support of minority investors and through partnerships and joint ventures in foreign jurisdictions. As at the date of this Offering Memorandum, K-Flex is not involved in any joint ventures or partnerships where it owns a stake of 50% or less. Nonetheless, K-Flex often relies on its partners and minority investors to contribute to managing the business in certain jurisdictions and to fulfil their obligations towards K-Flex and/or its customers, and would rely so perhaps to a greater extent in the event it had a stake of 50% or less. There is no assurance that K-Flex will not enter into joint ventures or partnerships where it owns a stake of 50% or less, therefore it might be the case that in the future joint ventures or partnerships with a minority stake could be set up. There may be also instances where those partners' and minority investors' interests are not directly aligned with those of K-Flex.

While the Group generally considers 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 K-Flex one. Some of these disadvantages may, among other things, result in K-Flex inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively. K-Flex may also incur liabilities related to earn-out or put and call agreements that K-Flex signed with sellers of acquired businesses. In addition, pursuant to certain arrangements with SIMEST S.p.A. Società Italiana per le Imprese all'Estero, a minority shareholder in a number of K-Flex international subsidiaries, K-Flex is required to make annual interest payments on equity invested by SIMEST S.p.A. Società Italiana per le Imprese all'Estero in such subsidiaries in order to benefit from the full rights on such shareholding (usufruct-voting and economic rights) in such subsidiaries and the Issuer may be required to purchase such equity upon termination of the investment periods.

In certain jurisdictions, K-Flex relies on its partners' and minority investors' expertise or relationships. For example, certain of its partners and minority investors' control the relationship with customers and it may be difficult for K-Flex to establish direct contact with these customers. K-Flex may also be dependent on the expertise of its partners and minority investors in assessing costs for certain contracts. Should such partners or minority investors provide inaccurate advice, K-Flex may be unable to perform its 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 for K-Flex to complete the development of certain projects on time.

K-Flex products may be copied by its competitors

K-Flex markets and distributes a wide range of innovative products of which some, but not all, are protected by patents, trademarks and other intellectual property rights. In some of the markets in which K-Flex operates, including China, there is a risk that competitors may copy, or attempt to copy, K-Flex designs for their own product range. Any copying by competitors of its products which are not protected by intellectual property rights could result in a loss of revenues for the Group. In addition, any copying by competitors of products which are protected by intellectual property rights may require lengthy and expensive enforcement action on the part of K-Flex and success in any such proceedings cannot be assured.

K-Flex may infringe or be accused of infringing the intellectual property rights of third parties

The Group's existing or potential products may infringe or be accused of infringing one or more claims of an issued patent or may fall within the scope of one or more claims in a published patent application that may be subsequently issued and to which the Group does not hold a licence or other rights. Third parties may own or control these patents or patent applications in Europe, in the United States and abroad. These third parties could bring claims against K-Flex or its subsidiaries that would cause the Group to incur substantial expenses and, if successful against it, could cause it to pay substantial damages. Further, if a patent infringement suit were brought against K-Flex or its subsidiaries, it could stop or delay the research, development, manufacturing or sales of the existing or potential product subject to the claim. Litigation may be necessary to defend against these claims and, even if the Group is successful in defending itself, such claims could result in substantial costs and distractions for the K-Flex's management. If the Group fails to defend any such claims, in addition to paying monetary damages, it may lose valuable intellectual property rights and, therefore, the Group's business, results of operations and financial condition could be materially jeopardised.

The Group may be subject to legal proceedings which could adversely affect its consolidated revenues

While the Group is not currently party to any material litigation, as part of the ordinary course of business, companies within the Group may in future be subject to administrative proceedings and civil actions. To the extent the Group is not successful in future legal challenges, the Group's results of operations or financial condition may be materially adversely affected.

Risks relating to cost of compliance with environmental law and regulation

The conduct of the Group's businesses, including the production, storage, handling, transportation, distribution, advertising, sale and use of its products, is subject to a wide variety of laws and regulations administered by national, regional and supranational government bodies. Those laws and regulations may change, possibly at short notice, as a result of political, economic or social events. Changes in laws, regulations or governmental policy and the related interpretations may alter the environment in which the Group carries on its business and, accordingly, may have an adverse impact on its financial results or increase in its costs or liabilities. In addition, the Group incurs and will continue to incur capital and other expenditure to comply with various laws and regulations, especially relating to protection of the environment, health and safety, and energy efficiency, all of which could adversely affect the Issuer's financial performance. The Group could also face liabilities, fines or penalties or the suspension of production for failing to comply with laws and regulations, including health and safety or environmental regulations.

Environmental regulation has changed rapidly in recent years, and it is possible that the Group will be subject to even more stringent environmental standards in the future.

Labour stoppages may disrupt the Group's business operations

The Group faces the risk of temporary or occasional interruptions or suspensions of the activities performed at its facilities, which may occur following strikes or other forms of work stoppage by the Group's own personnel.

There may be instances, including of a temporary or occasional nature, of strikes or other forms of work stoppage or interruptions in the provision of services that could cause the interruption of all or part of the activities performed and/or managed by the Group and have a material adverse effect on the Group's results of operations, financial condition and prospects.

K-Flex's international sales are subject to various jurisdictions' economic sanctions, export control and anticorruption laws and regulations, which increases the risk that it may become subject to significant penalties for violating such laws.

Over the years an increasing number of anti-bribery laws and regulations have been approved worldwide and now apply in a significant number of countries and territories where the Group conducts its business; these laws and regulations are amended from time to time and their scope and reach may change. Such anti-bribery laws and regulations generally prohibit companies and their intermediaries from granting financial or other advantages to officials or others for the purpose of obtaining or retaining business.

The Group operates in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, compliance with antibribery laws may conflict with local customs and practices. In addition, some of the jurisdictions in which the Group operates or intends to operate lack a developed legal system or may have failed to implement laws and regulations or enforce such laws and regulations, and consequently may have high levels of corruption. In this scenario, the Group's continued expansion, development of joint venture relationships with local contractors and the use of local agents increases the Group's risk of being exposed to violations of such anti-corruption regulations by its local partners or agents.

In addition, as K-Flex operates on a global basis it is subject generally to laws of the EU, the U.S. and other jurisdictions regulating the export of its products to certain countries. K-Flex does not believe that any of its exports or customers are designated or targeted by EU or U.S. sanctions.

K-Flex does not currently maintain formal written policies detailing how to comply with sanctions, export controls or anti-corruption laws and regulations. Although K-Flex is committed to conducting its 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 its 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 K-Flex 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 the Group's business, results of operations and financial condition.

If an individual within the Group, or a third party acting on behalf of any Group entity, commits certain crimes, the Issuer or that Group entity may be subject to quasi-criminal liability and may face the application of sanctions

With particular reference to Italy, Legislative Decree 8 June 2001, No. 231 ("**Decree 231**") allows Italian corporate entities to implement compliance procedures, also known as the "organizational, management and control model under Decree 231" to defend themselves against the quasi-criminal liability that may attach to them under Decree 231 for crimes committed in their interest or to their advantage by individuals which have a functional relationship with such corporate entities, such as employees, directors and representatives. In particular, crimes which could cause a corporate entity's quasi-criminal liability pursuant to Decree 231 include, among others, those committed when dealing with public administrations (including bribery, misappropriation of public contributions and fraud to the detriment of the state), corporate crimes, environmental crimes and crimes of manslaughter or serious injury in violation of provisions on health and safety at workplace).

With respect to the foreign markets, the Issuer is aiming to extend a framework of regulatory instruments and anti-corruption policies to all the existing subsidiaries in order to comply with the best international practices.

Although the Issuer believes that the Group's current risk and control systems, including its organizational, management and control model ("**Model 231**") which was adopted in accordance with Decree 231 in Italy, the implementation of the anti-corruption model and an ethics code (see "*Description of the Issuer – Measures pursuant to Legislative Decree No. 231/2001*"), provide adequate protection from violations of anti-bribery laws, as part of its aim to comply with the best international practices in its risk control functions, should the abovementioned models and procedures and the upcoming international regulatory instruments fail to protect the Group from the possible reckless or criminal acts committed by its employees, agents, partners, subcontractors or suppliers, the Group could suffer from criminal or civil penalties or other sanctions, including fines, denial of export privileges, injunctions, asset seizures, termination of existing contracts, revocations or restrictions of licenses, criminal fines or imprisonment of key personnel, any of which could have a material adverse effect on the Group's business. In addition, such violations could also negatively impact the Group's reputation and, consequently, its ability to win future business. K-Flex's reputation in this regard is an important factor in its business dealings our business partners and our customers. Accordingly, a finding of improper conduct on K-Flex's part, or on the part of one or more of our current or former directors, employees or another related party, could result in civil or criminal liability and could have a material adverse effect on the business, financial condition and results of operations.

A significant portion of K-Flex's business is conducted through foreign subsidiaries and repatriating cash from certain of these subsidiaries could have negative tax consequences

In 2015, more than 90% of K-Flex's revenue from sales and services was generated 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, K-Flex's subsidiaries (for example, the ones located in Hong Kong, Malaysia and Dubai), are subject to significant restrictions, including exchange controls, limitations on shareholder loans and capital controls. As a result, the Group has no current plans to repatriate cash dividends from its operations in those countries. An inability to repatriate revenue without incurring negative tax consequences could impair K-Flex's ability to make payments on its debt or otherwise increase the effective cost of its indebtedness.

K-Flex is largely dependent on receiving payments from other members of the Group to make payments under the Notes or meet its other obligations. Such other members may not be able to make such payments in some circumstances

Although a substantial part of the operations of the Group are carried out directly by the Issuer, certain operations of the Group are carried out through its subsidiaries, and may in the future be carried out also through entities in which the Group has an interest but which it does not control, such as joint ventures and partnerships, and to such extent, the Issuer depends on the earnings and cash flows of, and the distribution of funds from, these subsidiaries and entities to meet its debt obligations, including its obligations with respect to the Notes.

Generally, creditors of such entities, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the entity, and preferred shareholders, if any, of the entity, will be entitled to the assets of that entity before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations in respect of the Notes will, to the extent described above, be structurally subordinated to the prior payment of all the debts and other liabilities of the Issuer's direct and indirect subsidiaries and other entities, including the rights of trade creditors and preferred shareholders (if any), as well as contingent liabilities, all of which could be substantial.

Furthermore, any limitations on the Issuer's ability to receive funds from its subsidiaries or such other entities, and any enforcement of the guarantees issued by the Group in favour of its subsidiaries or such other entities could each have a material adverse effect on the Group business, financial condition, results of operations or prospects.

K-Flex is exposed to a number of different tax uncertainties, which would have an impact on tax results

K-Flex Group is required to pay taxes in multiple jurisdictions. The Group determines the taxation it is required to pay based on its interpretation of the applicable tax laws and regulations in the jurisdictions in which it operates. The Group may be subject to unfavourable changes in the respective tax laws and regulations to which it is subject. Tax controls or audits and changes in tax laws or regulations or the interpretation given to them may expose the Group to negative tax consequences (including where any member of the Group is treated as being resident in a jurisdiction other than its place of incorporation), including interest in arrears payments and potential penalties. New laws or changes in the interpretation of existing laws could have a material adverse effect on the Issuer's and the Group's business, financial condition and results of operations.

There may be an extended period of uncertainty and financial market volatility as a result of the United Kingdom's vote to leave the EU and our businesses may be adversely affected by that or by the economic consequences of it.

The United Kingdom held an in-or-out referendum on 23 June 2016 in which a majority voted to leave the European Union ("**Brexit**"). At this point it is not possible to say with any certainty when, or the terms on which, Brexit might take place or the likely effect that the eventual outcome or the withdrawal process may have either on the United Kingdom or other economies or markets. However, the announcement of referendum result itself did result in increased volatility in global financial and foreign exchange markets and in a sharp fall in the value of sterling against the dollar and certain other currencies, including the euro. It is also possible that other members of the European Union could hold a similar referendum regarding their membership in the European Union in the future. Periods of further volatility and declines in financial and foreign exchange markets may occur as the Brexit process develops and there may also be declines in economic activity in the United Kingdom and elsewhere as well as increased political tensions within the European Union generally or the Eurozone in particular. These factors could restrict our access to capital and have a material adverse effect on our business, financial condition and results of operations.

The Unaudited Financial Information as of 30 June 2016 incorporated by reference in this Offering Memorandum are prepared solely for illustrative purposes

The Unaudited Financial Information incorporated by reference in this Offering Memorandum was prepared solely for illustrative purposes in accordance with applicable laws and regulations. The unaudited Financial Information could be subject to adjustment following the auditing activities and, additionally, they do not reflect the forward-looking data at the year-end 2016.

K-Flex's failure to successfully maintain and enhance its brand could have a material adverse effect on our business, financial condition and results of operations.

The success of K-Flex is dependent in part on the strength of its brand. K-Flex believes that it has a long-established, trusted and widely recognized brand and reputation worldwide and that its brand represents a competitive advantage against the other players in the sector. K-Flex believes that its future success will depend on the ability to maintain and enhance the strength of the brand. K-Flex cannot assure that this effort, or any of our other brand management initiatives, will be successful. If K-Flex is unable to maintain or enhance the strength of the brand, then the ability to retain or expand the customer base may be impaired, which could have a material adverse effect on our business, financial condition and results of operations

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES

Risks factors relating to the Notes and the Guarantees

The Notes are fixed rate securities and are vulnerable to fluctuations in market interest rates

The Notes will bear interest at a fixed rate. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets ("**Market Interest Rate**"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(d) understand thoroughly the terms of the Notes; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes, unless the potential investor has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are unsecured obligations

The Notes will be direct, unconditional, unsecured (subject as provided in the "*Terms and conditions of the Notes – Status of the Notes and the Guarantees*" and "*Terms and conditions of the Notes – Negative pledge*") and unsubordinated indebtedness of the Issuer. For more information concerning the ranking of the Notes, see "*Terms and conditions of the Notes*".

The Notes are unsecured and do not restrict the amount of debt which the Issuer may incur.

The terms and conditions relating to the Notes contain certain restrictions on indebtedness. See "*Terms and conditions of the Notes – Limitation on Indebtedness*") In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, although the Notes restrict the giving of security by the Issuer and its Subsidiaries over Relevant Indebtedness and guarantees in respect of such indebtedness a number of exceptions apply, as more fully described in "*Terms and conditions of the Notes – Negative pledge*". Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such secured indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets.

The Issuer may not have sufficient funds at the time of occurrence of a change of control to redeem outstanding Notes

Upon the occurrence of certain events relating to the Issuer as set out in "*Terms and conditions of the Notes – Redemption and purchase – Redemption at the option of the holders upon a Change of Control*" under certain circumstances the Noteholders will have the right to require the Issuer to redeem their outstanding Notes at their principal amount plus accrued and unpaid interest, if any, to the date of redemption. However, it is possible that the Issuer will not have sufficient funds at the time of occurrence of such events to make the required redemption of Notes. In addition, except as specifically set out in "*Terms and conditions of the Notes – Redemption and purchase – Redemption at the option of the Noteholders upon a Change of Control*", the Notes do not contain provisions that provide a right to Noteholders to require the Issuer to purchase or redeem the Notes in any other circumstances.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax.

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian or Luxembourg taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including withholding or deduction of:

(a) Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996; and

(b) withholding tax operated in certain member states of the European Union (each a "**Member State**") pursuant to EC Council Directive 2003/48/EC, Council Directive 2014/48/EU of 24

March 2014 and similar measures agreed with the European Union by certain non-EU countries and territories, a brief description of which is set out below.

See “*Terms and conditions of the Notes – Taxation*”.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws of any country or territory.

Payments under the Guarantee provided by K-FLEX LLC may be subject to Russian withholding tax

All payments made by the Guarantors with respect to the Guarantees will be made without withholding or deduction for any taxes of the Relevant Taxing Jurisdictions (as defined in the “Terms and Conditions of the Notes”), unless such withholding or deduction is required by law. In the event of such a deduction or withholding, the Guarantor, as applicable, will pay such additional amounts as may be necessary in order that the net amounts received in respect of such payments after such withholding or deduction will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction. While the Guarantee provides for the Guarantors to pay such corresponding amounts in these circumstances, it is unclear whether a tax gross-up clause such as that contained in the Guarantee is enforceable in the Russian Federation. There is therefore a risk that the gross-up for withholding tax will not be provided and that the full amount of payments made by the Guarantor, which is a Russian legal entity, will be reduced by Russian withholding income tax at a rate of 20 per cent. (or potentially, 30 per cent. in respect of individual Noteholders). Some payment See *“Taxation — The Russian Federation”*.

Italian substitute tax

Italian substitute tax is applied to payments of interest and other income (including the difference between the redemption amount and the issue price) at a rate of twenty six per cent. to (i) certain Italian resident Noteholders and (ii) certain non-Italian resident Noteholders who have not filed in due time with the relevant depository a declaration (*autocertificazione*) stating, inter alia, that he or she is resident for tax purposes in a country which allows for an adequate exchange of information with the Italian tax authorities. *See* “*Taxation*”.

Investors must rely on the procedures of the Clearing Systems to trade their beneficial interests in the Notes and to receive payments under the Notes

The Notes will be deposited with a Common Safekeeper for the Clearing Systems. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. The Clearing Systems will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes, the Issuer will discharge their payment obligations under the Notes by making payments to the Clearing Systems for distribution to their accountholders. A holder of a beneficial interest in a Global

Note must rely on the procedures of the Clearing Systems to receive payments under the relevant Notes. The Issuer have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

Minimum denomination

The Notes are issued in denominations of €100,000 or higher amounts which are integral multiples of €1,000, up to a maximum of €199,000. Although Notes may not be traded in amounts of less than €100,000, it is possible that they will be traded in amounts that are not integral multiples of €100,000. In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

Risks relating to change of law

The Conditions of the Notes will be based on English law and, in respect of the mandatory provisions relating to meetings of Noteholders and the Noteholders' Representative (*rappresentante comune*), on Italian law in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Italian law or any administrative practice thereof after the date of this Offering Memorandum.

Modification and waiver

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including, inter alia, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in Condition 13 (*Meetings of Noteholders, modification, waiver and substitution*).

Insolvency laws applicable to the Issuer may not be as favourable to the Noteholders as bankruptcy laws in other jurisdictions.

The Issuer is incorporated in the Republic of Italy. The Issuer and its Italian subsidiaries (as well as any of its subsidiaries whose center of interests is deemed to be the Republic of Italy) will be subject to Italian insolvency laws. The Italian insolvency laws may not be as favourable to Noteholders' interests as creditors as the laws of other jurisdictions with which the Noteholders may be familiar. For instance, if the Issuer becomes subject to certain bankruptcy proceedings, payments made by the Issuer in favour of the Noteholders or the Trustee on their behalf, prior to the commencement of the relevant proceeding, may be liable to claw-back by the relevant trustee. In particular, in a bankruptcy proceeding (fallimento), Italian law provides for a claw-back period of up to one year (six (6) months in some circumstances, two (2) years in other circumstances).

Furthermore, under Italian law, holders of the Notes do not have any right to vote at any shareholders' meetings of the Issuer. Consequently, Noteholders cannot influence any decisions by the board of directors of the Issuer or any decisions by shareholders concerning the Issuer's capital structure, including the declaration of dividends in respect of the Issuer's ordinary shares.

Risk factors relating to markets generally

Set out below is a brief description of the principal market risks that may be relevant in connection with an investment in Notes.

There is no active trading market for the Notes and one cannot be assured.

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and trading on Euro MTF Market which is the exchange-regulated market of the Luxembourg Stock Exchange. The Euro MTF Market is not a regulated market for the purposes of Directive 2004/39/EC.

The Notes are new securities for which there is currently no market. There can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell such Notes or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, and the Issuer's financial condition, performance and prospects. In an illiquid market, the Noteholders might not be able to sell their Notes at any time at fair market prices.

There can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and trading prices for the Notes.

Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes.

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies.

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and sale*". The Notes and the long-term debt of the Issuer are rated but credit ratings may not reflect all risks. Although any credit rating agencies assign credit ratings to the Notes or any other senior unsecured indebtedness of the Issuer, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit ("**Investor's Currency**") other than Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

DOCUMENTS INCORPORATED BY REFERENCE

The financial information of the Issuer derived from (i) the audited consolidated financial statements of the Issuer as of and for the years ended, respectively, 31 December 2014 and 31 December 2015 (the "**Audited Consolidated Financial Statements**") and (ii) the unaudited consolidated financial statements of the Issuer as of and for the six months ended 30 June 2015 and 30 June 2016 (the "**Unaudited Consolidated Financial Statements**") shall be deemed to be incorporated in, and form part of, the Offering Memorandum.

Cross-reference lists

The following information from the Audited Consolidated Financial Statements is incorporated by reference in this Offering Memorandum, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated.

Audited Consolidated Financial Statements for the year ended on 31 December 2015	
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Audited Consolidated Financial Statements for the year ended on 31 December 2014	
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The following information from the Unaudited Consolidated Financial Statements is incorporated by reference in this Offering Memorandum, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated.

Unaudited Consolidated Financial Statements for the six months ended on 30 June 2016	
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Unaudited Consolidated Financial Statements for the six months ended on 30 June 2015	
Information	**Page**
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Any information contained in any of the documents specified above, including any documents incorporated by reference therein, which are not listed in the cross reference list are not incorporated by reference in this Offering Memorandum and are not relevant to investors.

Copies of the documents specified above as containing information incorporated by reference in this Offering Memorandum may be inspected, free of charge, at the specified offices of the Principal Paying Agent and on the website of the Issuer (www.kflex.com/investors).

Any websites referred to in this Offering Memorandum are for information purposes only and do not form part of this Offering Memorandum.

CAPITALISATION

The following table sets forth the Group's cash and cash equivalents, total long-term debt, total shareholders' equity and total capitalisation as of 31 December 2015, on an actual basis, without giving effect to any of (i) the gross proceeds of the issue of the Notes, expected to amount to €180,000,000 (but before deduction of the commissions and other expenses incurred in connection with the issue of the Notes) or (ii) the use of proceeds therefrom. The historical consolidated financial information has been derived from the Group's consolidated financial statements of 31 December 2015 and for the year then ended, prepared by management in accordance with Italian-GAAP, incorporated by reference in this Offering Memorandum.

(€in thousands)	
Cash and cash equivalents	58,191
Bond 2014-2020	100,000
Current portion of long-term debt	7,706
Non-current portion of long-term debt of which:	26,821
Loans	16,950
Payables to other lenders (finance lease)	4,842
Paybles to other lenders	5,029
Total long-term debt (A) *	**134,527**
Share capital	56,700
Reserves	51,983
Net income	11,112
Minority interest	20,917
Total shareholders' equity (B)	**140,712**
Total Capitalisation (A+B) **	**275,239**

(*) As of 31 December 2015, the Group had short-term financial indebtedness of € 50,142 thousand and gross financial indebtedness of € 184,669 thousand.

(**) Total capitalisation represents total long-term debt plus total shareholders' equity.

Prospective investors should read this table in conjunction with the section entitled "*Use of Proceeds*" and the Group's consolidated financial statements as of 31 December 2015.

TERMS AND CONDITIONS OF THE NOTES

The €180,000,000 4.25 per cent. Notes due October 2023 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 16 (*Further issues*) and forming a single series therewith) of L'Isolante K-Flex S.p.A. (the "**Issuer**") are guaranteed on a joint and several basis by each of K-FLEX LLC (K-FLEX Limited Liability Company) (the "**Russian Subsidiary Guarantor**") and K-FLEX USA LLC (K-FLEX USA Limited Liability Company) (the "**US Subsidiary Guarantor**" and, together with the Russian Subsidiary Guarantor, the "**Guarantors"** and each, a "**Guarantor**"). The Notes are constituted by a trust deed dated 7 October 2016 (as amended, supplemented or novated from time to time, the "**Trust Deed**") between the Issuer, the Guarantors and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**"). The issue of the Notes was authorised by a resolution (*determina*) of the chairman of the board of directors of the Issuer dated 3 October 2016 pursuant to the powers delegated to the chairman of the board of directors by a resolution of the board of directors of the Issuer passed on 22 September 2016. The guarantees of the Notes were authorised by a resolution of the sole participant of the Russian Subsidiary Guarantor dated 15 September 2016 and a resolution of the sole member of the US Subsidiary Guarantor dated 22 September 2016.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the coupons relating to them (the "**Coupons**"). Copies of the Trust Deed and of the Paying Agency Agreement (the "**Paying Agency Agreement**") dated 7 October 2016 relating to the Notes between the Issuer, the Guarantors, the Trustee and the initial principal paying agent and the other paying agents named in it, are available for inspection during usual business hours at the registered office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the principal paying agent for the time being (the "**Principal Paying Agent**") and the other paying agents for the time being (the "**Paying Agents**", which expression shall include the Principal Paying Agent). The Noteholders and the holders of the Coupons (whether or not attached to the relevant Notes) (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

1 Definitions and interpretation

(a) **Definitions**: in these Conditions:

"**Acceptable Bank**" means:

(a) a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of "BBB-" or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or "Baa3" or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency; or

(b) any other bank or financial institution approved by the Trustee.

"**Accounting Principles**" means generally accepted accounting principles in Italy or, in the event of a Change in Registered Office, the jurisdiction in which the Issuer has its registered office.

"**Auditors**" means (i) Audirevi S.r.l., being the auditors of the Issuer as of the Issue Date, or any other firm having a similar standing; or (ii) one of PricewaterhouseCoopers, Ernst & Young, KPMG or Deloitte & Touche.

"**Calculation Amount**" means €1,000 in principal amount of the Notes.

"**Cash**" means, at any time, cash in hand or at bank and (in the latter case) credited to an account in the name of a member of the Group with a bank and to which a member of the Group is alone (or together with other members of the Group) beneficially entitled and for so long as:

(a) that cash is repayable within 5 business days after the relevant date of calculation;

(b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition;

(c) there is no Security Interest over that cash except for any Permitted Security Interest constituted by a netting or set-off arrangement entered into by members of the Group in the ordinary course of their banking arrangements; and

(d) the cash is freely and immediately available to be applied in repayment or prepayment of the Notes.

"**Cash Equivalent Investments**" means at any time:

(a) certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank;

(b) any investment in marketable debt obligations issued or guaranteed by the government of the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable into any other security;

(c) commercial paper not convertible or exchangeable into any other security:

    (i) for which a recognised trading market exists;

    (ii) issued by an issuer incorporated in the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State;

    (iii) which matures within one year after the relevant date of calculation; and

    (iv) which has a credit rating of either "A-1" or higher by Standard & Poor's Rating Services or "F1" or higher by Fitch Ratings Ltd or "P-1" or higher by Moody's Investors Service Limited, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;

(d) any investment in money market funds which (i) have a credit rating of either "A-1" or higher by Standard & Poor's Rating Services or "F1" or higher by Fitch Ratings Ltd or "P-1" or higher by Moody's Investors Service Limited, (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (d) above and (iii) can be turned into cash on not more than 30 days' notice; or

(e) any other debt security approved in advance by the Trustee (such approval not to be unreasonably withheld or delayed),

in each case, to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time and which is not issued or guaranteed by any member of the Group or subject to any Security Interest.

"**Compliance Certificate**" means the compliance certificate to be delivered on each Reporting Date and signed by a duly authorised director of the Issuer, certifying, amongst other things, that the Issuer is and has been in compliance with the covenants set out in Condition 4 at all times during the Relevant Period.

"**Consolidated EBITDA**" means, in respect of any Relevant Period, the consolidated operating profit of the Group before taxation (including the results from discontinued operations):

(a) **before deducting** any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Relevant Period;

(b) **not including** any accrued interest owing to any member of the Group;

(c) **after adding back** any amount attributable to provisions and the amortisation, depreciation or impairment of assets (including receivables and inventory) and any accruals or provisions of members of the Group (and taking no account of the reversal of any previous impairment charge made in that Relevant Period);

(d) **before taking into account** any Exceptional Items;

(e) **before taking into account** any unrealised gains or losses on any derivative instrument;

(f) **before taking into account** any Pension Items but after adding back any provision for severance payment (*accantonamento TFR – trattamento di fine rapporto*) and any retirement package (*quiescenza*);

(g) **before taking into account** any gain or loss arising from an upward or downward revaluation of any other asset; and

(h) **excluding** the charge to profit represented by the expensing of stock options, in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation.

"**Consolidated Gearing Ratio**" means, as of any Determination Date, the ratio of (a) the Consolidated Leverage at such date to (b) the Shareholders' Equity at such date. "**Consolidated Leverage**" means, as of any Determination Date, the sum of the outstanding Total Net Debt.

"**Consolidated Leverage Ratio**" means, as of any Determination Date, the ratio of (a) the Consolidated Leverage at such date to (b) the Consolidated EBITDA in respect of the Relevant Period ending on such Determination Date.

"**Default**" means an event or condition the occurrence of which is, or with the expiry of any grace period or the giving of notice or both would be, an Event of Default.

"**Determination Date**" means each of 30 June and 31 December in each year.

"**Event of Default**" has the meaning given to it in Condition 10 (*Events of Default*).

"**Exceptional Items**" means any exceptional, one off, non-recurring or extraordinary items (including all the items classified as a "net extraordinary item" in accordance with the Accounting Principles, such as, for instance, the items named "*Costi di natura straordinaria e non ricorrenti*", "*Costi non caratteristici / Non inerenti all'attività aziendale e costi attribuibili ad esercizi precedenti*" in the consolidated financial statements of the Issuer) although classified within the operating costs which represent gains or losses including those arising on:

(a) the restructuring of the activities of an entity (including the refocusing or restructuring of the Group's product portfolio) and reversals of any provisions for the cost of restructuring;

(b) disposals, revaluations, write downs or impairment of non-current assets or any reversal of any write down or impairment;

(c) the Transaction Costs; and

(d) disposals of assets associated with discontinued operations

but so that no amount shall be included more than once.

"**Exchange Offer**" means the invitation by the Issuer to holders of its €100,000,000 6 per cent. Notes due 1 July 2020 (XS1083010311) that are outstanding to offer such notes for exchange in consideration, inter alia, for the issue to such holders of the Notes as described in an exchange offer memorandum dated 23 September 2016.

"**Final Maturity Date**" has the meaning given to it in Condition 7(a).

"**Finance Lease**" means any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a finance lease.

"**Financial Year**" means the annual accounting period of the Group ending on 31 December in each year.

"**Group**" means the Issuer and its Subsidiaries from time to time.

"**Guarantee**" has the meaning given to it in Condition 3 (*Guarantee*).

"**Guarantor**" has the meaning given to it in Condition 3 (*Guarantee*).

"**Indebtedness**" means any indebtedness classified as borrowings under the Accounting Principles for or in respect of:

(a) moneys borrowed and debit balances at banks or other financial institutions (including any overdraft);

(b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);

(c) any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

(d) the amount of any liability in respect of Finance Leases (excluding, for the avoidance of doubt, any operating leases);

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Principles; and

(g) (without double counting) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (f) above.

"**Insolvent**" means that the Issuer, any Guarantor or any of the Issuer's Subsidiaries is, or is deemed for the purposes of any applicable law to be, unable to pay its debts as they fall due or is insolvent.

"**Interest Period**" means the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Payment Date**" has the meaning given to it in Condition 6.

"**Issue Date**" has the meaning given to it in Condition 6.

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for at least 10 per cent. of the Group's gross revenues (excluding intra-group items), or any holding company of any such Subsidiary. For the purposes of this definition, compliance with the threshold set out above shall be determined by reference to the most recent Compliance Certificate of the Issuer referred to in Condition 4 below and/or the latest financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group. However, if a Subsidiary has been acquired since the date as at which the latest audited consolidated financial statements of the Group were prepared, such financial statements shall be deemed to be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by the Auditors as representing an accurate reflection of the revised gross revenues of the Group (excluding intra-group items).

"**Original Financial Statements**" means the audited consolidated financial statements of the Issuer as at and for its financial year ended 31 December 2015.

"**Participating Member State**" means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

"**Pension Items**" means any income or charge attributable to a post-employment benefit scheme other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme including any provision for severance payment (*accantonamento TFR – trattamento di fine rapporto*) and any retirement package (*quiescenza*).

"**Permitted Indebtedness**" means:

(a) Indebtedness under the Notes and the Guarantees;

(b) any Indebtedness of the Issuer or a Subsidiary outstanding on the Issue Date and any extension, renewal, refunding or refinancing thereof (the "**Existing Permitted Indebtedness**"), provided that the principal amount thereof outstanding immediately before giving effect to such extension, renewal, refunding or refinancing is not increased so as to exceed the principal amount of such Existing Permitted Indebtedness outstanding on the Issue Date;

(c) any Indebtedness of a Subsidiary outstanding at the time such Subsidiary becomes a Subsidiary and any extension, renewal, refunding or refinancing of such Indebtedness (the "**Acquired Subsidiary Indebtedness**"), provided that (i) such Acquired Subsidiary Indebtedness shall not have been incurred in contemplation of such Subsidiary becoming a Subsidiary; (ii) immediately after such Subsidiary becomes a Subsidiary, no Event of Default shall exist and (iii) the principal amount thereof outstanding immediately before giving effect to such extension, renewal, refunding or refinancing is not increased so as to exceed the principal amount of such Acquired Subsidiary Indebtedness outstanding as of the date on which such Subsidiary becomes a Subsidiary;

(d) Indebtedness of the Issuer to a Subsidiary of the Issuer or Indebtedness of a Subsidiary of the Issuer to the Issuer or another Subsidiary of the Issuer for so long as such Indebtedness is held by a Subsidiary of the Issuer or the Issuer; provided that any Indebtedness of the Issuer or a Guarantor to any Subsidiary of the Issuer that is not a Guarantor is unsecured and subordinated, pursuant to a written agreement, to the Issuer's obligations under the Notes or such Guarantor's obligations under the Guarantee, as the case may be;

(e) any amount raised by the Issuer or a Subsidiary under any transaction with SIMEST S.p.A. Società Italiana per le Imprese all'Estero or its successors; and

(f) any Indebtedness of a Subsidiary which is not a Material Subsidiary.

"**Permitted Reorganisation**" means:

(i) a Change of Registered Office; or

(ii) any other solvent amalgamation, merger, demerger or reconstruction involving the Issuer or any Subsidiary under which the assets and liabilities of the Issuer or the relevant Subsidiary are assumed by the entity resulting from such amalgamation, merger, demerger or reconstruction and provided that, in the case of a Permitted Reorganisation pursuant to this sub-paragraph (ii), the steps set out in (a) or (b) below (as applicable) are complied with:

  (a) where the same involves the Issuer, either:

    (1) (i) such entity assumes all the obligations of the Issuer in respect of the Notes and under the Trust Deed, and an opinion of an independent legal adviser of recognised standing in the Republic of Italy (or, if different, the jurisdiction of incorporation of such entity) has been addressed to the Trustee, on behalf of the Noteholders, confirming the same prior to the effective date of such amalgamation, merger, demerger or reconstruction; and (ii) such entity holds at least the same corporate credit rating as the Issuer at the time of such transaction, unless such amalgamation, merger, demerger or reconstruction has been approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or

    (2) such entity irrevocably and unconditionally guarantees the Issuer's payment obligations under the Notes in accordance with the provisions of the Trust Deed (each such entity, an "**Additional Guarantor**") as confirmed by an opinion of an independent legal adviser of recognised standing in the Republic of Italy (or, if different, the jurisdiction of incorporation of such entity) addressed to the Trustee, on behalf of the Noteholders.

  (b) where the same involves a Guarantor:

    (1) all or a substantial part of the business of such Guarantor are transferred to or otherwise vested in the Issuer or another Guarantor as certified by two authorised signatories of the relevant Guarantor addressed to the Trustee, on behalf of the Noteholders; or

    (2) all or a substantial part of the business of such Guarantor are transferred to an entity which, prior to or immediately upon such transfer, is a Subsidiary of the Issuer, which:

      (I) assumes, in accordance with applicable law, all the obligations of such Guarantor in respect of the relevant Guarantee and under the Trust Deed (each such Subsidiary, a "**Successor Guarantor**"); or

      (II) becomes, in accordance with the provisions of the Trust Deed and upon execution of all documents specified in the Trust Deed, a guarantor in respect of the Notes and the Issuer's obligation under the Trust Deed (each such Subsidiary, an "**Additional Guarantor**" and together and together with any entity assuming the role of Guarantor pursuant to (ii) (a)(2) in this definition, the "**Additional Guarantors**"),

    with either (I) or (II) being confirmed by an opinion of an independent legal adviser of recognised standing in the Republic of Italy (or, if different, the jurisdiction of incorporation of such entity) addressed to the Trustee, on behalf of the Noteholders.

"**Permitted Security Interest**" means:

(i) any Security Interest arising by operation of law;

(ii) any Security Interest to secure any Permitted Indebtedness;

(iii) any Security Interest to secure Relevant Indebtedness upon or with respect to any present or future assets, receivables, remittances or payment rights of the Issuer or any of its Subsidiaries (the "**Charged Assets**") which is created pursuant to any securitisation or like arrangements whereby all or substantially all the payment obligations in respect of such Indebtedness are to be discharged solely from the Charged Assets;

(iv) any Security Interest created in substitution of or supplementing any Security Interest permitted under paragraphs (ii) and (iii) above over the same or substituted assets provided that (1) the principal amount secured by the substitute Security Interest does not exceed the principal amount outstanding and secured by the initial Security Interest, (2) in the case of substituted assets, the market value of the substituted assets as at the time of substitution does not exceed the market value of the assets replaced, as determined and certified in writing by the Issuer (acting reasonably) to the Trustee, (3) in the case of a Security Interest being supplemented, such supplementing was provided for under the relevant contractual arrangements at the time of creation of the Security Interest and complies with such contractual arrangements, and (4) the duration of the substitute Security Interest does not exceed the duration of the initial Security Interest.

"**Proceedings**" means any legal action or proceedings arising out of or in connection with the Notes or the Coupons or the Trust Deed.

"**Relevant Indebtedness**" means (i) any indebtedness for or in respect of moneys borrowed or raised which is in the form of, or represented by, any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange, over the counter or other organised market for securities or (ii) any guarantee and/or indemnity in relation to any such indebtedness;

"**Relevant Period**" means a 12-month period ending on a Determination Date.

"**Relevant Shareholders**" means, collectively, (i) Carlo Spinelli, born in Monza (MB), Italy on 11 August 1973, (ii) Amedeo Spinelli, born in Settala (MI), Italy on 25 October 1940, (iii) their relatives pursuant to articles 74 to 77 of the Italian civil code and (iv) Sinalux S.A.

"**Relevant Taxing Jurisdiction**" means:

(a) in respect of payments of principal and interest on the Notes and Coupons by the Issuer, the Republic of Italy or any political subdivision or any agency or authority thereof or therein having power to tax; or

(b) in respect of payments by the Guarantors under the Guarantees, Russia or the United States of America, as applicable, or any political subdivision or any authority thereof or therein having power to tax;

(c) in respect of payments by Additional Guarantor or Successor Guarantor under the Guarantee, the jurisdiction of such Additional Guarantor or Successor Guarantor, or any political subdivision or any authority thereof or therein having power to tax;

(d) in each of the above cases, any other jurisdiction or any political subdivision or any agency or authority thereof or therein having power to tax to which the Issuer or any

Guarantor may become subject in respect of payments of principal and interest on the Notes and Coupons, in case of the Issuer, or under the respective Guarantee, in the case of any Guarantor.

"**Reporting Date**" means a date falling no later than 30 days after (i) the approval by the board of directors of the Issuer's consolidated financial statements, with respect to the Relevant Period ending on 31 December, or (ii) the approval by the board of directors of the Issuer's unaudited semi-annual consolidated financial statements, with respect to a Relevant Period ending on 30 June, provided that (a) the approval set out in paragraph (i) above shall be obtained within 150 days of the end of the Relevant Period and (b) the approval set out in paragraph (ii) above shall be obtained within 90 days of the end of the Relevant Period, the first Reporting Date being the date falling no later than 30 days after the approval by the board of directors of the Issuer's consolidated financial statements for the year ending on 31 December 2015.

"**Security Interest**" means, without duplication, a mortgage, charge, pledge, lien or other security interest or other preferential interest or arrangement having a similar economic effect, excluding any right of set-off, but including any conditional sale or other title retention arrangement or any finance leases.

"**Shareholders' Equity**" means, as of any Determination Date and in respect of the Issuer and the Subsidiaries, the sum of (i) the share capital, *plus* (ii) the legal reserves, *plus* (iii) the other reserves, *plus* (iv)(a) retained earnings minus (iv)(b) accumulated losses *plus* (v) (a) net profit minus (v)(b) loss *plus* (vi) minority interest (*patrimonio netto di terzi*) *plus* (vii) any loan extended to the Issuer and the Subsidiaries by their relevant shareholders and outstanding as of the relevant Determination Date.

"**Subsidiary**" means in relation to any company, corporation or legal entity (a "**holding company**"), any company, corporation or legal entity which is controlled, directly or indirectly, by the holding company pursuant to article 2359 of the Italian Civil Code.

"**TARGET Settlement Day**" means any day on which the TARGET System is open.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

"**Total Net Debt**" means, at any time, the aggregate amount of all obligations of members of the Group for or in respect of Indebtedness at that time but:

(a) excluding any such obligations to any other member of the Group;

(b) deducting the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Group at that time,

and so that no amount shall be included or excluded more than once.

"**Trade Instruments**" means any performance bonds, advance payment bonds or documentary letters of credit issued in respect of the obligations of any member of the Group arising in the ordinary course of trading of that member of the Group.

"**Transaction Costs**" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with the issue of the Notes, the Exchange Offer or the transaction documents and finance documents related thereto.

"**Treasury Transactions**" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

(b) In these Conditions, the following events are deemed to have occurred as set out below:

a "**Change of Control**" will be deemed to occur if the Relevant Shareholders cease to hold, directly or indirectly, either (a) more than 50 per cent. of the issued share capital of the Issuer, or (b) issued share capital having the right to cast more than 50 per cent. of the votes capable of being cast in general meetings of the Issuer or the right to determine the composition of the majority of the board of directors or equivalent body of the Issuer;

a "**Change of Registered Office**" will be deemed to occur if the shareholders of the Issuer resolve upon the move of the Issuer's registered office to the United Kingdom, the Republic of Ireland, any member state of the European Economic Area or any Participating Member State;

an "**Insolvency Event**" will have occurred in respect of the Issuer or any of its Material Subsidiaries if:

(i) any one of them becomes subject to any applicable bankruptcy, liquidation, administration, receivership, insolvency, composition or reorganisation (among which, without limitation, *fallimento, liquidazione coatta amministrativa, concordato preventivo, accordi di ristrutturazione* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including also any equivalent or analogous proceedings under the law of the jurisdiction in which it is deemed to carry on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, receivership, arrangement, adjustment, protection or relief of debtors) or similar proceedings or the whole or any substantial part of its undertaking or assets are subject to a *pignoramento* or similar procedure having a similar effect, unless in the opinion of the Trustee (who may in this respect rely absolutely and without liability on the advice of a lawyer selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success;

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by any one of them or the same proceedings are otherwise initiated against any one of them or notice is given of intention to appoint an administrator in relation to the Issuer and, in the opinion of the Trustee (who may in this respect rely absolutely and without liability on the advice of a lawyer selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success;

(iii) any one of them takes any action for a re-adjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any or its indebtedness or applies for suspension of payments; or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation, administration or dissolution in any form of the Issuer or such Material Subsidiary (except a winding-up for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders) or any of the events under article 2484 of the Italian civil code occurs with respect to any one of them;

a "**substantial part**" of the business, undertaking or assets means a part of the relevant entity's business, undertaking or assets which accounts for thirty-five per cent. (35%) of the relevant entity's assets and/or gross revenues.

(c) **Interpretation**: in these Conditions:

(i) "**business day**" means a day on which commercial banks and foreign exchange markets are open in the relevant city and which is a TARGET Settlement Day;

(ii) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

(iii) "**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders;

(iv) any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under these Conditions or any undertaking given in addition to or substitution for it under the Trust Deed; and

(v) any reference in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to Condition 16 and forming a single series with the Notes.

2 Form, denomination and title

(a) **Form and denomination**: The Notes are serially numbered and in bearer form in the denomination of €100,000 each with Coupons attached on issue and integral multiples of €1,000 in excess thereof, up to and including €199,000, with Coupons attached at the time of issue. No Notes in definitive form will be issued with a denomination above €199,000.

(b) **Title**: Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no Person will be liable for so treating the holder.

3 Guarantee and Status

(a) **Guarantee**: Each Guarantor has unconditionally and irrevocably guaranteed on a joint and several basis (i) the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Agency Agreement, the Notes and the Coupons and (ii) the performance by the Issuer of all of its obligations under the Trust Deed, the Paying Agency Agreement, the Notes and the Coupons. Each Guarantor's obligations in that respect (each, a "**Guarantee**" and together the "**Guarantees**") are contained in the Trust Deed.

(b) **Additional Guarantor**: Pursuant to Condition 10 (*Events of Default*) below and the provisions of the Trust Deed, the occurrence of a Permitted Reorganisation may require a Successor Guarantor or an Additional Guarantor, as the case may be, to provide a Guarantee in respect of the Notes and the Trust Deed. Such Guarantee will be on a joint and several basis with each other Guarantee, subject to any relevant enforceability limitations and restricitons.

(c) **Status of the Notes**: The Notes and Coupons constitute (subject to Condition 5) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(d) **Status of the Guarantees**: The Guarantees constitute direct, unconditional and (subject to Condition 5) unsecured obligations of the Guarantors and rank and will rank at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the relevant Guarantor, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) **Release of Guarantees**: The Guarantee of a Guarantor shall be released without the consent of the Noteholders upon the full and final payment and performance of all obligations of the Issuer under the Trust Deed and the Notes and subject to receipt by the Trustee of a certificate signed by a duly authorised director of the Issuer certifying the discharge in full of all such obligations of the Issuer and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the discharge in full of all Issuer's obligations set out above, in which case it shall be conclusive and binding on the Noteholders and the Couponholders.

4 Covenants

(a) **Limitation on Indebtedness**: So long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed), the Issuer shall not, and shall procure that none of its Subsidiaries will, incur any Indebtedness (other than Permitted Indebtedness) if, on the date of the incurrence of such Indebtedness, either:

(i) the Consolidated Leverage Ratio relating to the Relevant Period referred to in the latest Compliance Certificate is greater than 3.5:1, determined on a pro forma basis, assuming for this purpose, that such additional Indebtedness (together with any other additional Indebtedness already incurred since the end of such Relevant Period) had been incurred, and the net proceeds thereof applied, on the first day of the applicable Relevant Period; or

(ii) the Consolidated Gearing Ratio relating to the Relevant Period referred to in the latest Compliance Certificate is greater than 1.75:1, determined on a pro forma basis, assuming for this purpose, that such additional Indebtedness (together with any other additional Indebtedness already incurred since the end of such Relevant Period) had been incurred, and the net proceeds thereof applied, on the first day of the applicable Relevant Period.

(b) **Restricted Payments**: So long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed), the Issuer shall not:

(i) declare, make or pay any dividend, charge, fee, remuneration or other distribution (or interest on any unpaid dividend, charge, fee, remuneration or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital) or its *strumenti finanziari partecipativi* or other types of quasi-equity securities issued (if any);

(ii) repay or distribute any dividend or share premium reserve or any other type of remuneration;

(iii) pay or allow any member of the Group to pay any advisory or other fee to or to the order of any of the controlling shareholders of the Issuer; or

(iv) redeem, repurchase, defease, retire or repay any of its share capital or its *strumenti finanziari partecipativi* or other types of quasi-equity securities issued (if any) or resolve to do so,

(each of the foregoing actions set forth in paragraphs (i), (ii), (iii) and (iv) being referred to as a "**Restricted Payment**"), if at the time of such Restricted Payment or immediately after giving effect thereto:

(a) a Default or an Event of Default shall have occurred and be continuing; or

(b) the Issuer is not able to incur at least €1.00 of additional Indebtedness (other than Permitted Indebtedness), provided that the restrictions in sub-paragraphs (i), (ii), (iii) and (iv) above shall not apply to payments or distributions made in an aggregate amount not exceeding € 3,000,000 in any calendar year.

(c) **Compliance certificate**: For so long as the Notes remain outstanding, the Issuer will deliver a Compliance Certificate to the Trustee on each Reporting Date attaching the Issuer's audited consolidated financial statements or the Issuer's unaudited semi-annual consolidated financial statements, as the case may be.

(d) **Financial information**: The Issuer shall ensure that each set of financial statements is, without prejudice to Condition 4(e) (*Accounting policies*): (i) prepared in accordance with Accounting Principles, consistently with the preparation of its Original Financial Statements; (ii) certified by an authorised signatory of the Issuer as giving a true and fair view of the financial condition of the Issuer as at the end of the period to which those financial statements relate and of the results of the Issuer's operations during such period; and (iii) in the case of any Relevant Period ending on 31 December, audited by independent auditors. So long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer shall make available for inspection by any Noteholder or Couponholder, free of charge at its own registered office and at all reasonable times during normal business hours at the specified office of each Paying Agent, the Financial Statements for the Relevant Period, together with such description of changes and adjustments and such other information referred to in Condition 4(e) (*Accounting Policies*) as may be necessary.

(e) **Accounting policies**: The Issuer shall ensure that each set of financial statements delivered pursuant to Condition 4(c) (*Compliance certificate*) is prepared using Accounting Policies consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any such set of Financial Statements, the Issuer notifies the Trustee and the Principal Paying Agent that there have been one or more changes in such Accounting Policies and provides the Trustee and the Principal Paying Agent for inspection by the Noteholders with: (i) a description of such changes; and (ii) sufficient information to make an accurate comparison between such Financial Statements and the Financial Statements for the previous Relevant Period.

(f) **Rating:** So long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed), the Issuer shall ensure that the Notes have a credit rating.

5 Negative pledge

So long as any Note remains outstanding, none of the Issuer or any Guarantor will, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues, present or future to secure any Indebtedness (other than the Permitted Indebtedness) or to secure any guarantee or indemnity in respect of any Indebtedness (other than the Permitted Indebtedness), without at the same time or prior thereto according to the Notes and the Coupons:

(i) the same security as is created or subsisting to secure any such Indebtedness (other than the Permitted Indebtedness), guarantee or indemnity; or

(ii) such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

6 Interest

The Notes bear interest from and including 7 October 2016 (the "**Issue Date**") at the rate of 4.25 per cent. per annum, payable annually in arrear on 7 October in each year, commencing on 7 October

2017 (each an "**Interest Payment Date**"). Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused or default is otherwise made in the payment thereof. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day which is seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Where interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period, the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last – ACT/ACT ICMA).

Interest in respect of any Note shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount for any period shall be equal to the product of 4.25 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7 Redemption and purchase

(a) **Final redemption**: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 7 October 2023 (the "**Final Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) **Redemption for taxation reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17 (which notice shall be irrevocable and shall specify the date fixed for redemption), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it (or, if a Guarantee was called, the relevant Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Relevant Taxing Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the relevant Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee a certificate signed by a duly authorised director of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the relevant Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

(c) **Redemption at the option of the Issuer**: Unless a Put Event Notice has been given pursuant to Condition 7(d) below, the Issuer may, at any time on or after 7 October 2019, on giving not less than 10 nor more than 60 days' notice to the Noteholders in accordance with Condition

17 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")), redeem all, but not some only, of the Notes at the following respective percentages of their principal amount if redeemed during the 12 months beginning on 1 July in any of the following years: 2019 at 102.125 per cent., 2020 at 101.063 per cent. and 2021 and thereafter at 101.000 per cent., together in each case with interest accrued to the date fixed for redemption.

(d) **Redemption at the option of Noteholders upon a Change of Control**: If a Change of Control occurs, the holder of each Note will have the option (a "**Put Option**") (unless prior to the giving of the relevant Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 7(b) or 7(c) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Put Date (as defined below) at its principal amount together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Put Date.

Promptly upon the Issuer becoming aware that a Change of Control has occurred the Issuer shall, and at any time upon the Trustee having actual knowledge or notice in writing of such event pursuant to the Trust Deed the Trustee may, and if so requested by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, shall (subject in each case to the Trustee being indemnified and/or secured to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 17 specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, the holder of a Note must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of 30 days after a Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Put Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Put Period (the "**Put Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 12) at any time after such payment, but before the expiry of the period of 10 years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition 7(d) shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed (or purchased) and cancelled.

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7(d), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Put Date and which shall be irrevocable and shall specify the date fixed for redemption or purchase), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control or other such event has occurred.

(e) **No other redemption**: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7(a) to 7(d) above.

(f) **Notice of redemption**: All Notes in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(g) **Purchase**: The Issuer, the Guarantors and their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price (provided that, if they should be cancelled under Condition 7(h) below, they are purchased together with all unmatured Coupons relating to them). The Notes so purchased, while held by or on behalf of the Issuer, any such Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purpose of calculating quorums at meetings of the Noteholders or for the purposes of Condition 13 or in any other respect in relation to the exercise of the Trustee's rights, powers and discretions.

(h) **Cancellation**: All Notes so redeemed or purchased and any unmatured Coupons attached to or surrendered with them (other than any Notes or Coupons purchased in the ordinary course of a business of dealing in securities) will be cancelled and may not be re-issued or resold.

8 Payments

(a) **Method of payment**: Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a Euro account specified by the payee with a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

(b) **Payments subject to fiscal laws**: All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) **Surrender of unmatured Coupons**: Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date for the relevant payment of principal.

(d) **Payments on business days**: A Note or Coupon may only be presented for payment on a day which is a business day in the place of presentation. No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this Condition 8 falling after the due date.

(e) **Paying Agents**: The initial Paying Agents and their initial specified offices are listed in the Paying Agency Agreement. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain (i) a Principal Paying Agent, (ii) Paying Agents having specified offices in at least two major European cities and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

9 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons or by any Guarantor under a Guarantee, as the case may be, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the relevant Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(i) presented for payment in the Republic of Italy; or

(ii) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note, Coupon or the Guarantee by reason of its (or its beneficial owners) having some connection with the Relevant Taxing Jurisdiction other than the mere holding of the Note, Coupon or the benefit of the Guarantee or by the receipt of any amounts in respect of the Notes; or

(iii) by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of the Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or

(iv) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities for the purpose of Legislative Decree No. 239 of 1 April 1996; or

(v) in all circumstances in which the procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Legislative Decree No. 239 of 1 April 1996, as amended, have not been met or complied with, except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(vi) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC European Council Directive 2014/48/EU of 24 March 2014 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vii) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(viii) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a presentation date pursuant to Condition 8; or

(ix) any combination of the above.

For the avoidance of doubt, notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

10 Events of Default

If any of the following events occurs the Trustee at its discretion may, and if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall, (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Issuer and the Guarantors (if any) that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) **Non-payment**: the Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of seven business days; or

(b) **Breach of other obligations**: (i) the Issuer does not perform or comply with any one or more of its other obligations under the Notes (including, for the avoidance of doubts, the covenants and the obligations set out in Condition 4 above) or the Trust Deed or, as the case may be, (ii) any Guarantor does not perform or comply with any one or more of its obligations under the relevant Guarantee or the Trust Deed which default, in either cases, is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 45 days after notice of such default shall have been given to the Issuer or, as the case may be, such Guarantor (with copy to the Issuer) by the Trustee; or

(c) **Cross-default**: (i) any other present or future indebtedness of the Issuer, any Guarantor or any Material Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, any Guarantor or any Material Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds €10,000,000 or its equivalent; or

(d) **Enforcement proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, any Guarantor or any Material Subsidiary and is not discharged or stayed within 60 days; or

(e) **Security enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, any Guarantor or any Material Subsidiary in respect of Indebtedness having an aggregate value of at least €5,000,000 or its equivalent becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar Person) unless discharged or stayed within 60 days; or

(f) **Insolvency**: an Insolvency Event occurs in relation to the Issuer, any Guarantor or any Material Subsidiary (other than for the purposes of, or pursuant to, a Permitted Reorganisation) or the Issuer, any Guarantor or any Material Subsidiary becomes Insolvent; or

(g) **Cessation of business**: the Issuer or any Guarantor ceases or threatens to cease to carry on all or a substantial part of its business (other than for the purposes of, or pursuant to, a Permitted Reorganisation) provided that the occurrence of a Change of Control set out in Condition 7(d) above will not trigger the Event of Default set out in this Condition 10(g); or

(h) **Analogous event**: any event occurs which under any applicable laws has an analogous effect to any of the events referred to in paragraphs (d) (*Enforcement Proceedings*) to (f) (*Insolvency*) above (both inclusive); or

(i) **Failure to take action, etc.**: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to ensure that the Issuer's obligations under the Notes and Coupons are legal, valid, binding and enforceable and (ii) to make the Notes admissible in evidence in the courts of Italy is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for the Issuer or any Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Guarantees (if any) or the Trust Deed; or

(k) **Guarantee**: if, other than as a result of a release effected pursuant to Condition 2(c) above, any Guarantee ceases to be, or is claimed by the Issuer or any Guarantor not to be, in full force and effect, save for the purposes of, or pursuant to, a Permitted Reorganisation; or

(l) **Guarantor**: if any Guarantor ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by the Issuer, save for the purposes of, or pursuant to, a Permitted Reorganisation.

11 Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 8 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

12 Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or any Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13 Meetings of Noteholders, modification, waiver and substitution

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by

Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed.

All meetings of holders of Notes will be held in accordance with applicable provisions of Italian law in force at the time. In accordance with Article 2415 of the Italian Civil Code, the meeting of Noteholders is empowered to resolve upon the following matters: (i) the appointment and revocation of a joint representative (*rappresentante comune*) of the Noteholders, having the powers and duties set out in Article 2418 of the Italian Civil Code; (ii) any amendment to these Conditions; (iii) motions for composition with creditors (*concordato*) of the Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Noteholders and the related statements of account; and (v) on any other matter of common interest to the Noteholders. Such a meeting may be convened by the Board of Directors of the Issuer, by the joint representative of the Noteholders or, subject to any mandatory provisions of Italian law, the Trustee (subject to being indemnified and/or secured and/or pre-funded to its satisfaction when the Board of Directors, the joint representative or, subject to any mandatory provisions of Italian law, the Trustee, as the case may be, deems it necessary or appropriate, and such a meeting shall be convened by the Issuer when a request is made by the Noteholders holding not less than one-twentieth in principal amount of the Notes for the time being outstanding, in each case in accordance with Article 2415 of the Italian Civil Code.

The Trustee shall be entitled to obtain and rely on such legal advice as it may deem necessary on all applicable Italian laws and regulations governing the procedure for calling and holding meetings of Noteholders and the Trustee shall not be responsible for any delay caused by obtaining such advice. All costs and expenses incurred for such legal advice provided to the Trustee shall be borne by the Issuer.

According to the Italian Civil Code, the vote required to pass a resolution by the Noteholders' meeting will be (a) in the case of the first meeting, one or more persons that hold or represent holders of more than one half of the aggregate principal amount of the outstanding Notes, and (b) in the case of the second and any further adjourned meeting, one or more persons that hold or represent holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Subject as provided below, 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 Issuer's by-laws may provide for a higher quorum (to the extent permitted under Italian law).

If the business of such meeting includes consideration of any of the following proposals: (i) to change the Final Maturity Date or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount, or interest on, the Notes, (iii) to change the currency of any payment in respect of the Notes, (iv) to modify the circumstances in which the Issuer is entitled to redeem the Notes pursuant to Condition 7(b) or (c) or the circumstances in which the Noteholders are entitled to direct the Issuer to redeem the Notes pursuant to Condition 7(d), (v) to change the governing law of the Notes, the Trust Deed or the Agency Agreement, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the resolutions indicated herein or any other resolution or (vii) any other matter provided under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code 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.

The Notes shall not entitle the Issuer or the Guarantors (if any) to participate and vote in the Noteholders' meetings. Directors and statutory auditors of the Issuer shall be entitled to attend the Noteholders' meetings. The resolutions validly adopted in meetings are binding on the Noteholders whether present or not and the Couponholders.

Under the Trust Deed, the Trustee may be appointed as joint representative (*rappresentante comune*) pursuant to Articles 2415 and 2417 of the Italian Civil Code (in such capacity, the "**Noteholders' Representative**") to represent the common interests of the Noteholders pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of Noteholders. By accepting a Note, Noteholders shall be deemed to be bound to the terms and provisions of these Conditions and to have agreed to, and accepted the appointment of the Trustee as the Noteholders' Representative (*rappresentante comune*) and as set forth in this Condition. In the event the Noteholders' meeting fails to appoint a Noteholders' Representative (*rappresentante comune*), such appointment may be made at the request of any Noteholder or at the request of the board of directors of the Issuer by the president of the court of the venue where the registered office of the Issuer is located.

Each such Noteholders' Representative (*rappresentante comune*) shall have the powers and duties set out in Article 2418 of the Italian Civil Code. The Noteholders' Representative (*rappresentante comune*) remains appointed for a maximum period of three years but may be reappointed again thereafter.

(b) **Modification and waiver**: The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified by the Issuer to the Noteholders as soon as practicable in accordance with Condition 17.

(c) **Substitution**: The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes provided that such substitution would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement** of the Trustee: In connection with the exercise of its functions (including but not limited to those referred to in this Condition 13) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

(e) **Consent to the Change of Registered Office**: Any Noteholder purchasing the Notes prior to the Change of Registered Office, either in the primary or the secondary market, shall be deemed to have consented to the Change of Registered Office in its capacity as a creditor of the Issuer and to have waived any rights it may have under Italian law or otherwise to oppose the implementation of the Change of Registered Office.

14 Enforcement

The Trustee may at any time, at its discretion and without further notice, institute such proceedings or take any other action against the Issuer or the Guarantors (if any) as it may think fit to enforce the terms of the Trust Deed, the Notes, the Coupons and the Guarantees (if any), but it need not take any such proceedings or take such action unless (a) it shall have been so directed by an Extraordinary Resolution (as defined in the Trust Deed) or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantors (if any), the Trustee, the Noteholders and the Couponholders.

16 Further issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

17 Notices

Notices to the Noteholders shall be valid if published in a leading English-language daily newspaper or such other English-language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice shall be deemed to have been given on the date of first publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

18 Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19 Governing law

(a) **Governing law**: The Trust Deed, these Conditions, the Guarantees, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, save that provisions in these Conditions and in the Trust Deed relating to Noteholders' meetings and the Noteholders' Representative are subject to compliance with mandatory provisions of Italian law.

(b) **Jurisdiction**: The courts of England are to have jurisdiction to settle any disputes (other than any disputes involving the Russian Subsidiary Guarantor, which shall be resolved by arbitration in London, England conducted in the English language by a single arbitrator pursuant to the LCIA rules), which may arise out of or in connection with the Trust Deed, these Conditions, the Guarantees, the Notes or the Coupons and accordingly any Proceeding may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the US Subsidiary Guarantor has irrevocably submitted to the jurisdiction of such courts.

(c) **Agent for service of process**: Pursuant to the Trust Deed, the Issuer and the Guarantors have irrevocably appointed an agent in England to receive service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around the Issue Date with a common safekeeper for Clearstream, Luxembourg.

The Notes will be issued in new global note ("**NGN**") form. On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ECB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility – that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of €100,000 each and integral multiples of €1,000 in excess thereof, up to and including €199,000 each, at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if Euroclear and Clearstream, Luxembourg or any alternative clearing system through which this Notes are held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does so.

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no Definitive Notes will be issued with a denomination above €199,000.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note Condition 8 (d) (*Payments on business days*) shall not apply, and all such payments shall be made on a day on which the TARGET System is open.

Redemption of the option of the Issuer: In order to exercise the option contained in Condition 7(c) (*Redemption at the option of the Issuer*) the Issuer shall give notice to the Noteholders and the relevant clearing system (or procure that such notice is given on its behalf) within the time limits set out in and containing the information required by that condition and Condition 7(f).

Exercise of put option: In order to exercise the option contained in Condition 7(d) (*Redemption at the option of Noteholders upon a Change of Control*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 17 (*Notices*), while all the Notes are represented by the Permanent Global Note (or, as the case may be, by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or, as the case may be, the Permanent Global Note and/or the Temporary Global Note are) held on behalf of Euroclear or Clearstream, Luxembourg or an alternative clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg or such alternative and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 17 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

EXCHANGE OFFER

The Issuer, in an exchange offer memorandum dated 23 September 2016 (the "**Exchange Offer Memorandum**"), invited holders of its €100,000,000 6 per cent. Notes due 1 July 2020 (XS1083010311) (the "**2020 Notes**") that are outstanding to offer such notes for exchange in consideration, inter alia, for the issue to such holders of the Notes (the "**Exchange Offer**"). Pursuant to a dealer manager agreement dated 23 September 2016 (the "**Dealer Manager Agreement**), the Sole Lead Manager has agreed to act as dealer manager in relation to the Exchange Offer. In the Dealer Manager Agreement, the Issuer has agreed to reimburse the Sole Lead Manager for certain of its expenses, and has agreed to indemnify them against certain liabilities, incurred in connection with the Exchange Offer.

Neither BNY Mellon Corporate Trustee Services Limited as Trustee for the 2020 Notes (the "Trustee") nor any of its directors, officers, employees or affiliates expresses any opinion as to the merits of, or makes any representation or recommendation whatsoever regarding the Exchange Offer (or any term thereof) or makes any recommendation whether holders of the 2020 Notes should exchange their 2020 Notes in the Exchange Offer or otherwise participate in it. The Trustee has not reviewed, and will not be reviewing, any documents relating to the Exchange Offer neither has it approved or will approve the Exchange Offer (or any term thereof). The Trustee and its respective directors, officers, employees or affiliates has not verified, or assumes any responsibility for the accuracy or completeness of, any of the information concerning the Exchange Offer, or the factual statements contained in, or the effect or effectiveness of, the Exchange Offer Memorandum or any other documents referred to in the Exchange Offer Memorandum or assumes any responsibility for any failure by the Issuer to disclose events that may have occurred and may affect the significance or accuracy of such information or the terms of any amendment (if any) to the Exchange Offer. The Trustee has not been involved in the formulation or negotiation of the Exchange Offer or any term thereof.

USE OF PROCEEDS

€77,140,000 million in principal amount of the Notes are being issued in exchange for the 2020 Notes and therefore the Issuer will not receive any proceeds from this portion of the Notes. The net proceeds of the issuance of the Notes that are not being issued in exchange for the 2020 Notes (the "**Additional Notes**"), expected to amount to €102,860,000 million after deduction of the commissions incurred in connection with the issue of the Notes, will be used by the Issuer for general corporate purposes (including, for instance, optimizing the use of the working capital facilities, improving the capital structure, financing international growth and maintaining adequate cash at bank for the service of the Notes).

DESCRIPTION OF THE ISSUER

Business Overview

L'Isolante K-Flex S.p.A. (the "**Issuer**" or "**K-Flex**", and together with its consolidated subsidiaries the "**Group**") is a manufacturing company specialising in the production of thermal and acoustic flexible elastomeric insulation materials. Its diversified product range provides solutions for various market sectors. Based on internal estimates, management believes that the Group has a share of the global elastomeric thermal and acoustic insulation market of around 35% with a significant market share in most of the regions in which it operates and is a worldwide market leader thanks to its focus on technological innovation and the quality of its products.

The Group consists of: (i) manufacturing subsidiaries, which carry out production activities, (ii) distribution subsidiaries, which purchase finished products from manufacturing entities of the Group, manage the logistics and sell to third party customers and (iii) sales offices that sell the Group's products without warehousing capacity.

As at the date hereof, the share capital of K-Flex is held by Amedeo Spinelli (22 per cent.), Carlo Spinelli (9 per cent.) and Sinalux S.A. (69 per cent.).

As at the date hereof, the Group distributes its products in over 60 countries and consists of 25 companies, of which 10 are production units. As at 31 December 2015, the Group had approximately 2,000 employees.

K-Flex Group specializes primarily in the production and sale of rubber insulation products, as well as the design and construction of plant and machinery for Group companies and non-captive customers. The Group operates internationally in the thermal and sound insulation industry, and includes both production companies (Italy, China, the United States, Russia, Malaysia, India, the United Arab Emirates, Poland and England), and distribution companies (France, Spain, Germany, Norway, Romania, Ukraine, Japan, and South Korea).

History and Development

K-Flex was founded in 1989 in Roncello, located in the north of Milan, Italy, by Amedeo Spinelli, who is currently the Group's president and a shareholder.

K-Flex quickly developed its presence in the elastomeric thermal and acoustic insulation market and grew rapidly. In 1993, K-Flex was predominantly focused on the Italian market and subsequently expanded into other European markets such as France and Spain, opening in Barcelona in 1995 and in Madrid in 1998.

Almost ten years after its foundation, K-Flex began its expansion outside Europe starting up K-Flex Rhein in 1999, the first of its two manufacturing plants (Guangzhou, Suzhou) in the Republic of China. The second one opened in 2009.

The Issuer built further production facilities in the US in 2001, in Russia in 2007, in India and Malaysia in 2009 and in Poland and Dubai in 2011.

In order to expand its commercial footprint, the Issuer opened distribution branches in Germany (2000), Scandinavia (2005), United Kingdom (2006), Romania (2008), Japan (2008), Ukraine (2009), South Korea (2009) and various other distribution / sales companies.

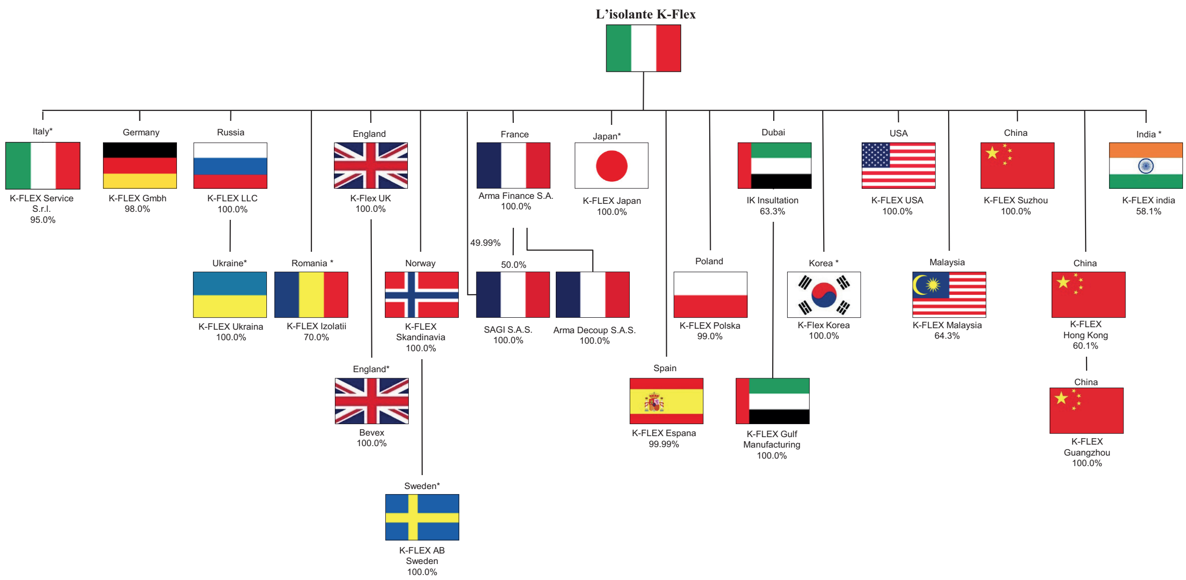
On 12 June 2014, the shareholders' meeting of the Issuer resolved upon the change of its legal form from limited liability company (*società a responsabilità limitata*) to joint stock company (*società per azioni*) and certain other amendments to the Issuer's by-laws.

On 22 January 2015, the shareholders' meeting of the Issuer resolved to increase its share capital from Euro 25,200,000 to Euro 56,700,000.

At the end of 2015, K-Flex consolidated its presence in France through its acquisition of 100% of Arma Finance S.A.S. (which owns 50.01% of Sagi S.A., the other 49.99% of Sagi S.A. being held directly by K-Flex) and 100% of Arma Decoup S.A.S. Sagi S.A. distributes the Group's products in the French market, while Arma Decoup S.A.S. is a production company, producing accessories.

Group Structure

The following chart sets out the Group structure as at 30 June 2016.



(*) Not Consolidated
Minorities are owned by Simest (See "- *SIMEST*" below)

Principles of Consolidation

The Group consists of 25 companies, 17 of which (including the parent company, L'Isolante K-Flex S.p.A.) have been consolidated according to the line-by-line method.

The following companies have been consolidated on a line-by-line basis at 31 December 2015:

Company	Registered Office	Capital Stock (€/000)	Percent Interest %
L'Isolante K-Flex S.p.A..	Roncello (Italy – MB)	56,700	Parent company
K-Flex Espana	Madrid (Spain)	5,000	99.99%
K-Flex Skandinavia AS	Oslo (Norway)	50	100.00%
K-Flex Hong Kong	Hong Kong	11,677	60.06%
K-Flex Polska Sp. z.o.o.	Poland	5,192	99.00%
K-Flex USA	North Carolina (USA)	5,379	100.00%
K-Flex Guangzhou	China (Guangzhou)	6,746	100.00%
K-Flex LLC	Russia	1,859	100.00%
Isolante K-Flex UK	England	1	100.00%
K-Flex Suzhou	China (Suzhou)	21,387	68.80%
K-Flex Malaysia	Malaysia	7,277	64.32%
IK insulation	Dubai (EAU)	18,766	63.30%
K-Flex Gulf	Dubai (EAU)	75	100.00%
Isolante K-Flex GmbH	Bodnegg (Germany)	25	98.00%
Arma Finance S.A.S.	Champtoce (France)	350	100,00%
Arma Decoup S.A.S.	Champtoce (France)	100	100,00%
Sagi S.A.	Champtoce (France)	504	100,00%

In January 2016, K-Flex purchased from SIMEST S.p.A. 31.20% of K-Flex Suzhou resulting in K-Flex holding 100.00% of K-Flex Suzhou.

The companies excluded from the scope of consolidation have been determined in accordance with Article 28 of Legislative Decree 127/91.

K-Flex India Private Limited has not been included in the scope of consolidation because its accounts, which must be prepared in accordance with Italian GAAP in order to be included in the consolidated financial statements, were not available when the Issuer's 2015 consolidated financial statements were being prepared.

K-Flex Izolatii S.r.l., K-Flex Japan, K-Flex Korea, Bevex Limited, K-flex Ukraine, K-Flex AB and IT K-Flex Service S.r.l. have not been included in the scope of consolidation because they were not material to a true and fair view of the Group's assets, liabilities, financial position and operating result.

Equity investments in subsidiaries (valued at Euro 9.936 million) at 31 December 2015 include:

- **K-Flex Izolatii S.r.l.**, with registered office in Otpeni, Str. Drumal Garii nr.5, Ilfov County (Romania). The company's objects are promotion and research on the Romanian market for the Group's customers that produce rubber insulation materials;
- **K-Flex India Private Limited**, with registered office at 414, Sohrab Hall. D-Wing 4th Floor, Sasoon Road, Pune 411 011. The company manufactures and markets rubber insulation materials;
- **K-Flex Japan Co. Ltd**, with registered office at 405, 117-1 Higashifutami, Futami-Cho Akashi, Hygo 6740092. The company's objects are promotion and research on the Japanese market for the Group's customers that produce rubber insulation materials;

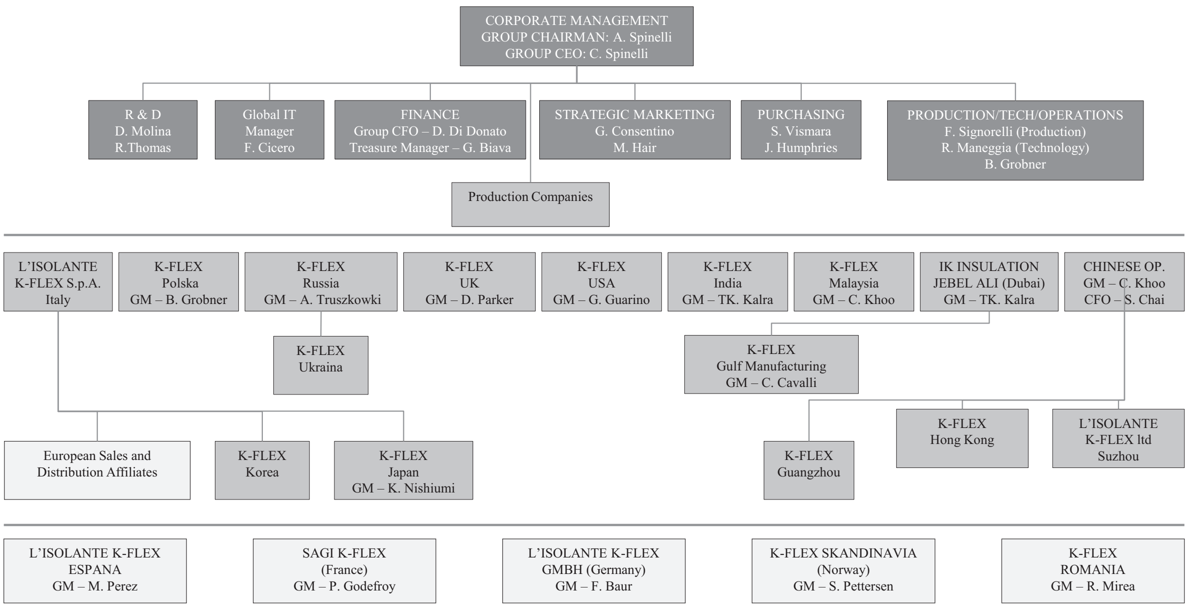
- **K-Flex Ukraine LCC**, with registered office at 43, Ulitina Str., 03115, Kiev (Ukraine). The company's objects are promotion and research on the Ukrainian market for the Group's customers that produce rubber insulation materials;
- **K-Flex Korea Ltd**, with registered office at 2-103 Greenhill 1488-2 Jung Dong Hauendae-gu Busan, South Korea. The company's objects are promotion and research on the South Korean market for the rubber insulation materials sector;
- **Bevex Limited**, a fully-owned subsidiary held through L'Isolante K-Flex UK operating in the beverage sector;
- **K-Flex AB,** a fully-owned subsidiary held through K-Flex Skandinavia. This company engages in promotion research on the Swedish rubber insulation materials market;
- **IT K-Flex Service S.r.l.,** whose registered office is in Roncello (MB), Via L. Da Vinci 36, incorporated in December 2014. This organization has the purpose of providing reporting and management advice to the Group;

Equity investments in associated companies (valued at Euro 51 thousand) at 31 December 2015 include:

- **Ode K-Flex Ltd**, with registered office in Tavsantepe Sok., Yulafli Koyo, Corlu-Tekirdag, in the province of Istanbul, is a 50% owned Turkish company that manufactures and markets rubber insulation materials.

  In March 2016 the Group's stake in Ode K-Flex Ltd was sold and is no longer a Group company.

Organizational Structure



Strategy

K-Flex's strategy is to pursue its corporate mission to propose advanced technological insulation products and systems.

The Group is committed to maintaining a sound capital structure and a strong liquidity position. K-Flex Group aims to increase its operational efficiency through analysis and optimization of manufacturing costs and corporate overheads and an emphasis on margin and working capital control. In particular the Issuer aims: (i) to increase manufacturing efficiency by optimizing the utilization of capacity across geographies (in some cases this means moving production close to the location where products are distributed, in other cases this means centralising production of certain products in order to benefit from economies of scale) (ii) to lower inventory. The Group is also seeking to optimize its working capital management through product rationalization, factory specialization and, through the issue of the Notes described herein, diversification of financing sources and financial flexibility.

The following constitute the Group's key business strategies:

Global presence and recent investments in manufacturing capacity to expand market share and growth in selected emerging markets

K-Flex is focused on using an international presence to improve penetration of high-growth emerging markets. K-Flex Group has recently invested in increasing its production capacity through improving existing machinery and purchasing new machinery as well as investing in research and development enabling the Group to offer a wider range of products and also increased volumes. K-Flex is particularly focused on pursuing growth opportunities in Asia Pacific, the Middle East, Eastern Europe and America. The Group plans to expand sales and engineering coverage in certain of these regions where it has invested in both production capacity and distribution channels to address these and other emerging markets. The aim of K-Flex is to continue expanding its market share in key end markets by further developing its product offering for these markets and continuing to grow relationships with existing and new customers globally. Management believes that a close proximity to customers through local subsidiaries is important with a view to K-Flex having the flexibility to adapt in response to geographic and sectoral trends as they develop.

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

As international and local industries and regulations continue to develop and change in the elastomeric thermal and acoustic insulation markets, the Issuer will seek to develop new applications for its products. K-Flex believes it is well-positioned to develop new markets because of its position in many of its product categories, its engineering and new product development capabilities, its relationships with customers and end-users.

K-Flex believes it has a clear strategy for ongoing improvement in its results by focusing on both higher margin products and end markets, as well as operational improvement. K-Flex anticipates that as its product mix continues to shift towards higher-value proprietary products, its pricing power and profitability could improve, both with new products and new markets.

K-Flex has no business segment representing more than 20% of total Group sales.

K-Flex's R&D division

K-Flex pursues a corporate mission to propose innovative insulation solutions and systems. K-Flex also invests in research and development in order to provide new and more effective solutions and systems for many different application areas.

K-Flex Group has developed new technologies for the production of elastomeric insulation products.

Alongside its R&D, K-Flex has a commercial sales-force including engineers with a view to customizing and developing the products in cooperation with customers.

The Group's R&D division of Group works to develop the following specific properties in its products:

- Low installation costs (products that can be installed easily and quickly)
- Environmentally-friendly aspects (products with no emissions, not considered a fire hazard, using recycled materials and recyclable at their end of life)
- Cost efficiency and sustainability (products with return on investment, made with sustainable materials)
- Compliance with national regulations (products designed to comply with regulations of many different countries)

In 2015 the Group invested approximately 5% of its annual Net Sales in R&D projects.

K-Flex has international and local certifications and licenses which are required by customers and management believes that this is key to its ability to to compete on a global scale, together with its manufacturing processes which management believes are state of the art following recent investments in its production facilities.

The Group is focused on innovative products

K-Flex thermal and acoustic industrial system materials offer the advantages of a flexible closed cell material coupled with low thermal conductivity and protection against the effects of CUI (Corrosion Under Insulation), with an operational temperature ranging from -196°C to +135°C.

K-Flex has developed a system for both thermal and acoustic insulation.

Examples of the performance of K-Flex's flexible elastomeric foam insulation product are considered below:

- Pipeline corrosion is the primary concern for any operation, corrosion costs US $276 Billion / Year. 40 – 60 % of piping maintenance costs are CUI related;
- K-Flex Flexible Elastomeric Foam Insulation is intrinsically resistant to water and steam transfer through the material, giving more protection to the pipe;
- K-Flex IN-Clad polymeric jacketing system is waterproof, providing further protection to pipes and pipe insulation;
- The K-Flex insulation and jacketing system offers a high level of protection from water leaks and mechanical damage.

Geographical presence

The Group is composed of: (i) Manufacturing subsidiaries, which carry out production activities, (ii) Distribution subsidiaries, which purchase finished products from manufacturing entities of the Group, manage the logistics and sell to third party customers and (iii) Sales offices that sell the Group's products without warehousing capacity.

Prodution Facilities	Starting from	Distribution Facilities	Starting from	Sales Office	Starting from
K-Flex Italy	1989	SAGI K-Flex	1993	K-Flex Hong Kong	1998
K-Flex US	2001	K-Flex Espana	1995	K-Flex Japan	2008
K-Flex Russia	2007	K-Flex Gmbh	2000	K-Flex Korea	2009
K-Flex UK	2006	K-Flex Scandinavia	2005		
K-Flex Guangzhou	2001	K-Flex Romania	2008		
K-Flex India	2009	K-Flex Ukraina	2009		
K-Flex Suzhou	2009				
K-Flex Malaysia	2009				
K-Flex Poland	2011				
K-Flex Gulf Manufacturing	2011				
Bevex	2008				
Arma Decoup	1993				

K-Flex is currently present in over 60 countries, with 25 companies of which 10 are production units with more than 2,000 employees. K-Flex has a significant presence in Europe, Asia and Russia with global distribution and aftersales service.

The Group has also a presence in the US, with a production plant in North Carolina, in the Middle East and India.

K-Flex manufactures both standard products and bespoke products tailored to project specifications.

Country	Facilities	Note
Italy	1	Plant serving mainly Southern Europe and African markets and special products for various regions (mainly Asia).
United States	1	Plant through which the Group serves the North American market
China	2	Plants located in the most strategic economic areas (Shanghai and Guangzhou); the factory serves the North Eastern Asia market
Russia	1	From this plant K-Flex supplies the Russian and formerly Soviet Republic markets
UK	1	This plant serves beverage products in Europe and USA
India	1	From this plant, K-Flex supplies the Indian market
Dubai	1	These investments increase the Group's coverage in the Middle East
Malaysia	1	From the Malaysia plant, the Group serves the South Eastern Asia and Australian markets
Poland	1	Increases the Group's coverage in Germany and Eastern Europe markets

Industry and Competition

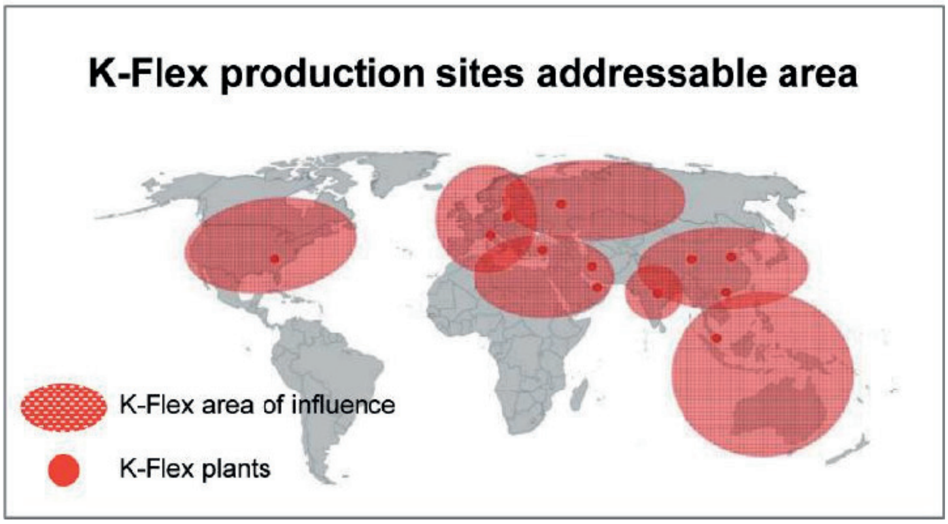
The worldwide insulation market is divided into two major segments: structural insulation and technical insulation. Structural insulation refers to the insulation of walls, roofs, floors and ceilings of buildings. Technical insulation refers to the insulation of pipes, ducts, tanks, vessels, valves etc and is designed to maintain the appropriate temperature, protect installations from the environment and generate energy savings.

The technical insulation segment in turn is comprised mainly of three groups of products: fibreglass, polystyrene and other organic products, and elastomeric products. The market for elastomeric products is smaller than the markets for fibreglass and polystyrene materials, which are dominated by large industrial conglomerates.

K-Flex focuses on the technical insulation segment and within that segment it produces elastomeric products. Based on internal estimates, management believes that the overall market for elastomeric technical insulation products amounted to around €1.0 billion in 2015, and that it has shown a growing trend compared to the past.

Base on internal estimates, management believes that K-Flex is one of the market leaders in the production of thermal and acoustic elastomeric insulation materials.

In the competitive landscape, K-Flex believes that given the impact of logistics costs and customers' requirements to receive products at short notice – this is part of the reason why K-Flex believes its global presence with production plants located near final geographic markets is a key driver to its competitive position, as K-Flex seeks to guarantee customers a 48-hour delivery time.



Business segments

K-Flex organises its business activities across the following different business areas:

Heating and plumbing

Products for this segment are mainly sold to large local or international distribution companies specialized in heating, plumbing and sanitary products. It includes: (i) the insulation of air conditioning and climate control facilities, comprising a wide range of special products and "ready to install" solutions; (ii) thermal insulation for plumbing and heating and (iii) materials resistant to UV and chemicals.

Air conditioning and refrigeration

This is one of the traditional elastomeric insulation markets. The products are used for the thermal insulation of the machinery (facilities) and air deployments (distribution) of the air conditioning and refrigeration units.

Wide range of insulation products (tubes, sheets) and systems for thermal insulation in the following applications with cold fluids: (i) civil cooling; (ii) industrial cooling; (iii) refrigerators; (iv) cold rooms and cells; (v) process plants and facilities; (vi) cryogenic plants.

Industrial and Commercial

This segment includes distribution companies of thermal insulation materials and other specific industrial companies. Insulation materials in tubes and sheets specific for the insulation of facilities and components include: (i) air conditioning; (ii) refrigeration; (iii) fluid distribution.

Solar

The K-Flex products are used in retail and large solar plants for hydraulic connections between kettles or tanks to solar panels. Specialized designed insulation materials for solar heating panels include: (i) high temperature resistant flexible elastomeric insulation tubes; (ii) complete systems of thermal insulation applied on flexible steel or copper tubes; (iii) full range of accessories for the installer.

Acoustics

K-Flex supplies specialized products and solutions to the acoustical market. Specific products include: (i) civil and Industrial discharges; (ii) civil and industrial machinery; (iii) construction industry application; (iv) applications in the shipbuilding industry & specific solutions for Oil & Gas.

Oil and gas

Special products developed for the Oil & Gas industry in the following applications: (i) LNG (Liquid Natural Gas) Carrier, Terminal and re-gasification plants; (ii) FSRU (Floating, Storage and Re-gasification Unit); (iii) Gas Treatment Plants, GPL e GTL (Gas to Liquid); (iv) Ethylene plants, Petrochemical plants, Refineries and Oil/gas storage tanks; (v) Platforms and FPSO (Floating Production, Storage and Offshore Loading); (vi) Refineries.

Ship building and railways

Insulating material, in tube and sheet form, specifically for the insulation of plants and components of the shipping and railway industry. Specialized designed insulation materials for air conditioning, refrigeration, distribution of fluids and aeraulic system applications include: (i) High temperature resistant flexible insulation materials; (ii) materials displaying certain levels of mechanical strength; (iii) accessories.

OEM

Solutions for thermal and acoustic insulation for equipment manufacturers (Original Equipment Manufacturers – "OEM").

Technical foams

These products have different applications in various sectors such as gasketing, automotive, heavy vehicles, appliances, flotation, earth movement, wrestling mats, agriculture, etc.

Fire protection

New range of products for prevention and protection solutions for potential fire hazards. Fire-stop panels which also provide thermal insulation.

Others, including beverages, central district heating / cooling, mineral wool, etc.

Insulated tubing bundles for food grade applications in beverage dispense equipment & mineral wool tubes, sheets & panels.

Customers

K-Flex believes it is geographically diversified as in 2015 no geographic area or region represented more than 35 per cent. of total Group sales.

In 2015 K-Flex had more than 50,000 customers worldwide. The Issuer's customers include private companies engaged in large-scale infrastructure, developments (industrial, commercial and/or residential), and oil and gas projects.

K-Flex engineering and commercial teams have relationships with end-market public customers and large multi-national customers, and the Issuer is often able to propose solutions to key engineering problems directly to the decision-makers.

When required by the client, and as part of an integrated engineering service, K-Flex can design and then supervise the installation of its products in addition to manufacturing them. The Group seeks to improve relationships with its customers through its product breadth, high levels of product performance and geographic reach.

Owing to its diverse customer base across a range of end-markets, K-Flex believes it is broadly diversified and not overly dependent on any one customer or concentrated group of customers. In 2015, the top 10 customers accounted for only 16% of the Group's total sales.

Principal products

K-Flex manages over 400,000 product codes and also offers tailor-made products for specific markets / clients.

Approximately 10 per cent. of its production can be classified as bespoke tailor-made products. K-Flex believes its products can be described as thermo-acoustic insulators featuring high and long-lasting performances (20 years average duration versus some other insulation materials whose performance can decline after 1 or 2 years).

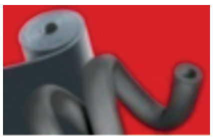
Product prices are not directly linked to commodities prices, but K-Flex historical profitability track record demonstrates that the Issuer has been able to some extent to shift prices increases to customers. Usually there are updates on raw materials prices once a year, with consequent updates on product prices also happening on an annual basis, although in some years prices have been updated more frequently in order to react to raw materials price swings. Price increases are, however, effective 3 to 6 months after update, when the contract is renewed, meaning that the impact of raw materials prices can not be entirely passed on in real time.

K-Flex divides its products into the following "product families": (i) NBR-based elastomeric insulation in the form of tubes and sheets; (ii) EPDM-based insulation products for high temperature insulation; (iii) eco-friendly insulation, including halogen free products for improved environmental safety; (iv) technical adhesive tapes; (v) solar thermal insulation systems, including tubes facilitating the connection of a solar panel to a hot water tank; (vi) pipe supports, designed to ensure a correct insulation thickness where joints are made; (vii) cladding and jacketing; (viii) Acoustic products for urban drainage and downpipes, industrial pipes, traditional brick or plasterboard dividing walls, all types of flooring and applications in the shipbuilding and railway sectors; (ix) technical foams; (x) fire-stopping products and (xi) beverage dispensing equipment for brewers and soft drinks companies.

Set out below is an overview of the Group's principal products.

Elastomeric Insulation NBR based

Nitrile butadiene rubber (NBR) is a family of unsaturated copolymers of 2-propenenitrile and various butadiene monomers. Products are also provided with different finishes and systems give added value to insulating materials.

	**Product Name**	**K-FLEX ST**
	Applications	Air-conditioning Refrigeration Industrial processes Oil & gas
	Description	K-FLEX ST is suitable for both civil and industrial applications that require the use of insulation material, providing a quality product and value for money: refrigeration, air-conditioning, heating and plumbing, tanks, pipe fittings and water ducts.

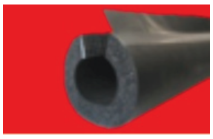
Technical Data

Temperature range	-165°C*max+110°	
Thermal conductivity ‘SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	Thickness < 25mm -20 °C = 0,031 0 °C = 0,033 +20 °C = 0,035 +40 °C = 0,037	Thickness >25mm -20 °C = 0,034 0 °C = 0,036 +20 °C = 0,038 +40 °C = 0,040
Permeability ,i EN12086 (DIN 52615)	≥10000	≥7000
Corrosion problems	EN 13468; pH neutral (7±1)	
Fire	Euroclass BL – s2, d0 (EN 13501-1)	

Product Name	K-FLEX ST/SK
Applications	Air-conditioning Refrigeration Industrial processes Oil & gas
Description	The new ST/SK is a pre-cut elastomeric insulation with a special adhesive. This new system is designed to save on installation time and reduce the use of other adhesives, improving work conditions

Technical Data

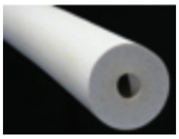
Temperature range	-40°C max +85°C	
Thermal conductivity ‘SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	Thickness < 25mm -20 °C = 0,031 0 °C = 0,033 +20 °C = 0,035 +40 °C = 0,037	Thickness >25mm -20 °C = 0,034 0 °C = 0,036 +20 °C = 0,038 +40 °C = 0,040
Permeability ,i EN12086 (DIN 52615)	≥10000	≥7000
Corrosion problems	EN 13468; pH neutral (7±1)	
Fire	Euroclass BL – s2, d0 (EN 13501-1)	



Product Name	K-FLEX LS
Applications	Air-conditioning Refrigeration Industrial processes Oil & gas
Description	K-FLEX® LS pipe and sheet insulation is designed for the professional contractor for condensation control on piping, vessels, ducts or equipment in commercial and industrial applications. K-FLEX® LS tubes are offered in non-slit, pre-slit and pre-slit/pre-glued versions with a PVC overlap tape (see picture). Sheets are available with PSA (pressure sensitive adhesive) to assist installation.

Technical Data

Temperature range	-182° C to 104°C
Size	Range of sizes available for application
Characteristics	Moisture Vapor Resistance Factory-Applied DoubleSeal Closure System for improved performance
Acknowledgement	Greenguard certified as a low VOC and mold-resistant material

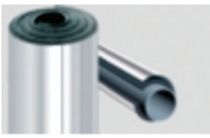


Product Name	INSUL-TUBE® White
Applications	Air-conditioning Refrigeration
Description	INSUL-TUBE® White is white, flexible, closed-cell elastomeric tube insulation designed for exposed piping areas or areas that require painting, such as supermarkets, hospitals and schools. The product's closed-cell structure creates thermal properties that protect against moisture penetration, condensation/frost formation, and heat loss or gain in applications within a -297°F to 220°F temperature range.

Product Name	INSUL-TUBE® Pre-slit
Applications	Air-conditioning Refrigeration
Description	INSUL-TUBE® Pre-Slit is a flexible, closed-cell elastomeric tube insulation product used to conserve energy and prevent condensation on piping applications. The product's closed-cell structure creates exceptional thermal properties (k-value of 0.245 at 75F and wvt of 0.03 perm-in) that protect against moisture penetration in applications within a -297F to +220F temperature range.

Product Name	INSUL-TUBE®
Applications	Air-conditioning Refrigeration
Description	INSUL-TUBE® is a flexible, closed-cell elastomeric tube insulation product used to conserve energy and prevent condensation on piping applications. The product's closed-cell structure creates thermal properties (k-value of 0.245 at 75F and wvt of .03 perm-in) that protect against moisture penetration in applications within a -297°F to +220°F temperature range. INSUL-TUBE® is used in the HVAC/R and plumbing markets for its cold weather flexibility, durable skin surface, manufacturing tolerances and performance. It is available in 6' lengths in a range of wall thicknesses ranging from 3/8" to 2" and is 25/50-rated, according to ASTM E-84 standards for surface burning characteristics of building materials, up to 2" wall thickness.INSUL-TUBE® is non-porous, non-fibrous and resists mold, fungal and bacterial growth. For added protection, it is protected with an EPA-approved antimicrobial agent.INSUL-TUBE® is GREENGUARD® certified under the Children and Schools classification and is approved through supervision by the Factory Mutual Res.

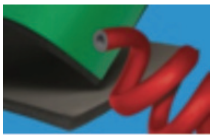
	Product Name	INSUL-TUBE® DS
	Applications	Air-conditioning Refrigeration
	Description	INSUL-LOCK® DS (DoubleSeal) is a flexible closed-cell elastomeric insulation tubeproduct used to conserve energy and prevent condensation on piping applications. It is pre-slit with a factory-applied pressure sensitive modified-acrylic adhesive with scrim reinforcement on the seam surface and a flexible PVC overlap tape with acrylic adhesive for doubled seam security. The system reduces installation time and costs. The product's closed-cell structure creates exceptional thermal properties (k-value of 0.245 at 75F and wvt of 0.03 perm-in) that protect against moisture penetration in applications within a -70°F to +220°F temperature range. INSUL-LOCK® DS is widely used in the HVAC/R and plumbing markets for its cold weather flexibility, durable skin surface, exacting manufacturing tolerances and lasting performance. It is available in 6' lengths in wall thicknesses ranging from 3/8"* to 2". INSUL-LOCK® DS is non-porous, non-fibrous and resists mold, fungal and bacterial growth. For added protection, it is protected with an EPA-approved antimicrobial agent. INSUL-LOCK® DS is GREENGUARD certified under the Children and Schools classification, is approved through supervision by the Factory Mutual Research.



	Product Name	K-FLEX AL CLAD SYSTEM
	Applications	Refrigeration Air conditioning Heating & Plumbing Industry
	Description	The AL CLAD SYSTEM is a complete K-FLEX elastomeric insulation system coupledwith a multi-layered covering, resistant to ultraviolet rays and atmospheric agents.

Technical Data

Weight	Approx	388 g/m2	EN 22 286
Thickness	Approx	280 µm	DIN 53 370
Weight	longitudinal	175 N/15 mm	ISO 527- 3
Thickness	transverse	175 N/15 mm	ISO 527- 3
Weight	longitudinal	35 %	ISO 527- 3
Thickness	transverse	40 %	ISO 527- 3
Weight	longitudinal	155 N/25 mm	ISO 527- 3
Thickness	transverse	182 N/25 mm	ISO 527- 3
Weigh	longitudinal	90 N/mm2	DIN 53 864
Thickness	transverse	90 N/mm2	DIN 53 864
Permeability to vapour:	0,052 g/m2/d	-	DIN 53 122
Fire (with K-FLEX ST)	Euroclass CL – s3, d0 (EN13501-1) Euroclass D – s3, d0 (EN 13501-1	-	-



	Product Name	K-FLEX COLOR SYSTEM
	Applications	Refrigeration Heating Air Conditioning Ventilation Industrial
	Description	K-FLEX COLOR SYSTEM supported by reliable test results, offers the installer an insulation product which has already been coated during the production process. The product can therefore be fitted in one single operation and does not require maintenance. Moreover, colours can be chosen to meet the design needs or corporate identity.

Technical Data

WOM 2000 hours DIN 53231	No significant alteration
HUMIDISTAT 800 hours ASTM D-2247	Elasticity remains the same
ADHESION 24 hours after HUMIDISTAT	Adhesion remains intact
UVC 2000 hours QUV/SE	No blistering, no separation, no significant alterations
H2O WASH	No alterations
H2O WASH PLUS SOAP FOR HANDS	No alterations
TEST WITH SOLUTION 1 DIN 53160/UAN-D1235/01	Elasticity and adhesion remain the same
TEST WITH SOLUTION 2 DIN 53160/UAN-D1235/01	Elasticity and adhesion remain the same
IMMERSION IN WATER 60 °C 800 hours	No blistering, no separation
CAUSTIC SODA CONTACT to 5% 2 hours	No alterations
Fire (K-FLEX COLOR)	Euroclass CL – s3, d0 (EN 13501-1) Euroclass C – s3, d0 (EN 13501-1)

	Product Name	K-FLEX ST DUCT
	Applications	Air-conditioning Refrigeration Industrial processes Oil & gas
	Description	K-FLEX ST DUCT is specifically produced for the insulation of ventilation and air-conditioning ducts, meeting requirements in terms of structure and dimensions.

Technical Data

Temperature range	-165°C max +85°C	
Thermal conductivity 'SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	Thickness < 25mm -20 °C = 0,031 0 °C = 0,033 +20 °C = 0,035 +40 °C = 0,037	Thickness >25mm -20 °C = 0,034 0 °C = 0,036 +20 °C = 0,038 +40 °C = 0,040
Permeability ,i EN12086 (DIN 52615)	≥7000	
Corrosion problems	EN 13468; pH neutral (7±1)	
Fire	Euroclass B – s3, d0 (EN 13501-1)	

Product Name	K-FLEX EC
Applications	Heating and plumbing Air-conditioning
Description	K-FLEX EC is suitable for civil and industrial applications that require the use of insulation material.

Technical Data

Temperature range	-165°C max +85°C	
Thermal conductivity ‘SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	Thickness < 25mm -20 °C = 0,031 0 °C = 0,033 +20 °C = 0,035 +40 °C = 0,037	Thickness >25mm -20 °C = 0,034 0 °C = 0,036 +20 °C = 0,038 +40 °C = 0,040
Permeability ,i EN12086 (DIN 52615)	≥7000	
Corrosion problems	EN 13468; pH neutral (7±1)	
Fire	Euroclass BL – s3, d0 (EN 13501-1)	

Product Name	K-FLEX EC AD
Applications	Heating and plumbing Air-conditioning
Description	The new EC ADHESIVE is manufactured with a factory-applied specially formulated bonding adhesive. The revolutionary technology is pre-slit with convenient built-in tabs applied on both sides, making the pipe insulation convenient and quick to install.

Technical Data

Temperature range	-165°C max +85°C	
Thermal conductivity ‘SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	Thickness < 25mm -20 °C = 0,031 0 °C = 0,033 +20 °C = 0,035 +40 °C = 0,037	Thickness >25mm -20 °C = 0,034 0 °C = 0,036 +20 °C = 0,038 +40 °C = 0,040
Permeability ,i EN12086 (DIN 52615)	≥7000	
Corrosion problems	EN 13468; pH neutral (7±1)	
Fire	Euroclass BL – s3, d0 (EN 13501-1)	

Product Name	K-FLEX ST FRIGO
Applications	Refrigeration Cooling and air-conditioning systems
Description	Elastomeric insulation for the refrigeration and air-conditioning specialist

Technical Data

Temperature range	-165°C max +110°C
Thermal conductivity 'SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	Thickness < 25mm -20 °C = 0,031 0 °C = 0,033 +20 °C = 0,035 +40 °C = 0,037
Permeability ,i EN12086 (DIN 52615)	≥ 10000
Corrosion problems	EN 13468; pH neutral (7±1)
Fire	Euroclass BL – s2, d0 (EN 13501-1)

	**Product Name**	K-FLEX SRC
	Applications	K-FLEX SRC sheet is ideal for thermal insulation of pipes, ducting and technical systems in public buildings.
	Description	K-FLEX SRC's innovative design combines the high thermal performance of a rubber based flexible elastomeric foam with a reduced smoke emission coating.and industrial applications.

Technical Data

Temperature range	-40° C to 85°C	
Thermal conductivity 'SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	-20 °C = 0,031 +20 °C = 0,035	0 °C = 0,033 +40 °C = 0,037
Permeability ,i EN12086 (DIN 52615)	≥ 10000	
Corrosion problems	EN 13468; pH neutral (7±0,5)	
Leacheable chloride	< 500 ppm	
Water permeability	WS < 0.1%	
Fire	Euroclass B – s2,d0 (EN 13501-1	

Elastomeric Insulation EPDM based

EPDM rubber, a type of synthetic rubber, is an elastomer which is characterized by a wide range of applications. EPDM exhibits satisfactory compatibility with fireproof hydraulic fluids, ketones, hot and cold water, and alkalis, and unsatisfactory compatibility with most oils, gasoline, kerosene, aromatic and aliphatic hydrocarbons, halogenated solvents and concentrated acids.

	**Product Name**	K-FLEX SOLAR HT
	Applications	Solar Panels Low pressure steam or industrial processes up to 150°C
	Description	The rational and convenient solution for solar panels and industrial processes up to 150 °C.A new, revolutionary box, tailor-made for the client, offering practical and economical advantages for use and distribution.

Technical Data

Temperature range	+150°C
Thermal conductivity ‘SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	+0 °C = 0.040
Fire	Tube: E (EN 13501-1) Sheet: E (EN 13501-1)

Halogen Free Product

Elastomeric insulation for improved environmental safety.

EN 13468 Supervised

no PVC - HCFC – CFC

Product Name	K-FLEX ECO
Applications	Shipbuilding Railways Air-Conditioning
Description	This green elastomeric insulation material is formulated and produced without using halogens. Thanks to its composition, any fumes given off during a fire are transparent and non-toxic to anyone in the vicinity. Approval and certification of product values are part of the company’s strategy aimed at optimizing and continuously improving basic requirements. This policy was applied to the manufacturing of K-FLEX ECO.

Technical Data

Temperature range	-165°C to +120°C*
Thermal conductivity ‘SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	-20 °C = 0,036 0 °C = 0,038 +20 °C = 0,040 +40 °C = 0,042
Permeability ,i EN12086 (DIN 52615)	≥3000
Corrosion problems	EN 13468; pH neutral
Fire	Sheets: E (EN 13501-1) Tubes: DL – s2, d0 (EN 13501-1
Ecological data	Halogen free – PVC – CFC – HCFC Free
Marine approvals	R.I.N.A. – LR – DNV – M.M. ITALIANACE-MARINE (Bureau Veritas) – US NAVY
Fume classification (toxicity)	IMO RES 61(67)
Fume density (NBS room)	≤ DM 200
Colour	Green

	**Product Name**	K-FLEX SRC ECO
	Applications	K-FLEX SRC ECO sheets are ideal for thermal and acoustic insulation of walls and technical installations where low smoke emission is required in case of fire.
	Description	K-FLEX SRC ECO is an insulating sheet comprising a layer of closed cell elastomeric foam and a protective jacket. The special K-FLEX SRC ECO configuration offers a unique product which, in case of fire, delays the emission of smoke and fumes which are also free of hydrohalic acids and organochlorine compounds.

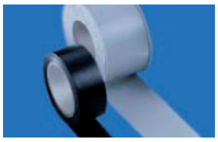
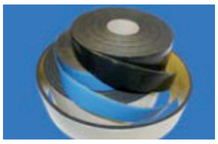
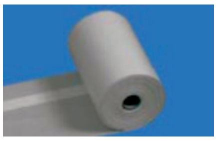
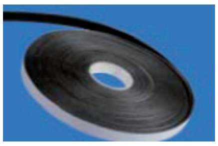
Technical Data

Temperature range	-40° C to 85°C	
Thermal conductivity ‘SW/(m•K) EN 12667 (DIN 52612) - ENISO 8497 (DIN 52613)	-20 °C = 0,036 +20 °C = 0,040	0 °C = 0,038 +40 °C = 0,042
Permeability ,i EN12086 (DIN 52615)	≥ 3000	
Corrosion problems	EN 13468; pH neutral (7±0,5)	
Leacheable chloride	< 500 ppm	
Water permeability	WS < 0.1%	
Fire	Euroclass B – s2, d0 (EN 13501-1)	
Ecological data	Without halogens, PVC, CFCs, HCFCs and Formaldehyde	

Tapes

Leading distributor and converter of technical adhesive tapes.

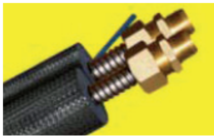
	Product Name	Description
	**K-FLEX ALU AA 130**	Smooth aluminium self-adhesive tape for covering joints. Pure aluminium, self-adhesive 30 µ tape, with a smooth, reflective, adhesive surface on one side and a disposable protective lining. Fire – Class 0 BS 476 PT 7 Suitable for endcappings, pipe joints, ventilation ducts and other elements insulated with aluminium sections.
	**K-FLEX ALU BLACK**	Black aluminium self-adhesive tape for covering joints. Pure aluminium, self-adhesive 30 µ tape with a smooth surface and a disposable protective lining. The tape finishing appears the same as the elastomeric surface. Suitable for endcappings, pipe joints, ventilation ducts and other elements insulated with K-FLEX elastomeric insulation. Fire – Class 0 BS 476 PT 7.
	**K-FLEX ALU WHITE**	White aluminium self-adhesive tape for covering joints. Pure aluminium, self-adhesive 30 µ tape with a smooth surface and a disposable protective lining. Fire – Class 0 BS 476 PT 7 Suitable for endcappings, pipe joints, ventilation ducts and other elements insulated with laminated aluminium and/or K-FLEX insulation.
	**K-FLEX ANTI CONDENSATION**	Black, reinforced self-adhesive closed-cell elastomeric foam tape, with a disposable protective lining

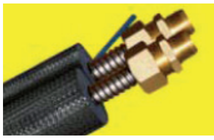
	Product Name	Description
	**K-FLEX AR 107**	Reinforced self-adhesive tape. 99,9% aluminium, self-adhesive 0,30 μ tape, reinforced with fibreglass, with a disposable protective lining. Fire – Class 0 BS 476 PT 7 Suitable for endcappings, pipe joints, ventilation ducts and other elements insulated with aluminium sections.
	**K-FLEX AT 070**	Black/grey PVC self-adhesive tape for covering joints.
	**K-FLEX BITOMINOUS**	Made from a mixture of synthetic rubber, bitumen and cork powder. It is ideal for preventing condensation forming on pipes. No further gluing is required because the tape isself-adhesive and sticks firmly to all surfaces.
	**K-FLEX COLOR**	Self-adhesive, reinforced closed-cell elastomeric foam tape with COLOR SYSTEM coating and a disposable protective lining. Available in the range of standard RAL colours.
	**K-FLEX ECO**	Green, reinforced self-adhesive closed-cell elastomeric foam tape (ECO), with a disposable protective lining
	**K-FLEX GUTTAGENA**	Twice the thickness compared to the previous range, it is ideal for finishing PVC sheet insulation coverings (eg. K-FLEX PACK RS 590).The GUTTAGENA band is available in one colour, light grey, and is matt finished.
	**K-FLEX NA 310**	Rubber anti-condensation tape with embossed aluminium sheet. Black, closed-cell elastomeric foam tape, 3 mm in thickness, with, on the underside, a reinforced self-adhesive mesh and a disposable protective lining, and a surface covered by 0.05 mm thick embossed aluminium foil. Fire – Class 0 BS 476 PT 7
	**K-FLEX PE TRIMMING**	Self-adhesive closed-cell wired foam PE packing, used to cover the seal flange in air- conditioning ducts.
	**K-FLEX VINYL BAND**	Flexible, robust and resistant to external agents, used for covering pipes insulated with elastomeric insulation or other materials. The small roll sizes allow for applications even in tight and narrow spaces. The wide range of colours available allows for a correct colour-coding of pipes, in compliance with the law.

Solar Market

Solar thermal insulation system which is resistant to high temperatures. It facilitates the connection of a hot water tank to a solar panel, reducing installation time.

	**Product Name**	K-FLEX SOLAR R
	Applications	Specifically designed for solar thermal panels
	Description	A convenient solution for solar panels and industrial processes. Recommended for solar panels and low pressure steam or industrial process. K-FLEX SOLAR R is available in rolls, standard cartons, and half cartons.

	**Product Name**	K-FLEX TWIN SOLAR SYSTEM SPIRAL
	Applications	Specifically designed for solar thermal panels
	Description	Spiral stainless steel tube, 0.30 mm thick, with its special coupling offers high functionality. The steel is heat-treated to give the product a greater malleability. The spiral shape decreases the pressure drop inside the tube as shown by the data in the table below.

	**Product Name**	K-FLEX TWIN SOLAR SYSTEM
	Applications	Specifically designed for solar thermal panels
	Description	K-FLEX TWIN SOLAR SYSTEM is a solar thermal insulation system which is resistant to high temperatures. It facilitates the connection of a hot water tank to a solar panel, saving installation time; it is designed to minimise heat loss and be resistant to chemicals and weather.

Technical Data

Temperature range	From -50°C to +150°C
Thermal conductivity jW/(m•K) ENISO 8497 (DIN 52613) EN 12667 (DIN 52612)	0 °C = 0.040 W/(m.K)
Fire Behaviour	E EN 13501-1
UV Resistance	Good, according to EN 13859-1

Technical Data – anular flexible stainless steel tube

Material	*AISI 316L*			
Ext. . Ø (mm)	**DN**	**Thickness (mm)**	**Max service pressure (bar)**	**Bend radius (mm)**
21.3 ±0.3	16	0,18	16	25
26.5 ±0.3	20	0,18	10	30
31.9 ±0.3	25	0,20	10	35

Technical data – spiral flexible stainless steel tube

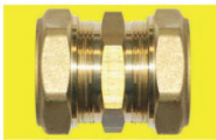
Material	*AISI 316L*			
Ext. . Ø (mm)	**DN**	**Thickness (mm)**	**Max service pressure (bar)**	**Bend radius (mm)**
18,44 ÷ 18,69	15	0,3	13	30
25,33 ÷ 25,58	20	0,3	13	40
32,50 ÷ 32,80	25	0,3	12	50

Solar Market – Quick Coupling

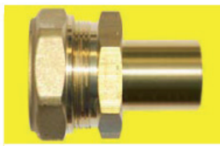
COUPLING WITH CU CLAMPING RING

EXTERNAL THREAD COUPLING

INTERNAL THREAD COUPLING

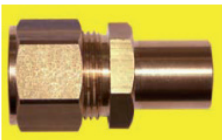


DOUBLE COUPLING

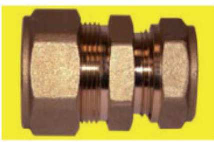


STRAIGHT FITTING

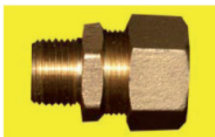
Solar Market – Coupling for SPIRAL



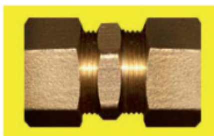
EXTERNAL THREAD COUPLING



COUPLING WITH CU CLAMPING RING



EXTERNAL THREAD COUPLING



DOUBLE COUPLING

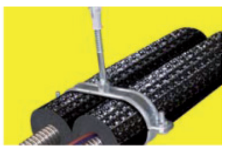
Solar Market – Traditional Accessories

CUTTER

FLANGE TOOL

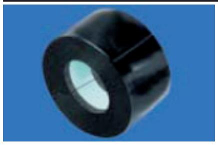
TUBE CLAMP

TRADITIONAL



OVAL PIPE

Support

	**Product Name**	K-FLEX PIPE SUPPORT ST
	Description	Specifically designed to ensure a correct insulation thickness where joints are made. The PIR central section, which covers the whole circumference and is attached to two K-FLEX insulating material sections, ensures a perfect continuity of the vapour barrier. Longitudinal sealing is obtained by means of the self-adhesive overlap. The external cover is in PVC.The support is also available with a collar and a special metal support which, when fixed to the supporting framework, ensures greater overall installation stability.

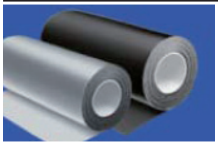
Technical Data

Central section in PIR	Density 120 kg m3
Compression resistance	1350 kPa
Temperature range	-45 °C +105 °C
Thermal conductivity	λ 0.036 W/(m•K) a 0 °C
Maximum stockage time	1 year
Colour	Black
Permeability to vapour	μ 7000
Diam. and thickness tolerance	+ 1 mm / +/- 1 mm

	**Product Name**	K-FLEX PIPE SUPPORT ST WITH COLLAR
	Description	Description Produced with FEF material K-FLEX ST PLUS, K-FLEX ST, K-FLEX ECO, K-FLEX AL CLAD, K-FLEX COLOR.

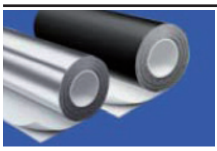
Cladding/Jacketing

Specifically designed to ensure a correct insulation thickness where joints are made.

	**Product Name**	K-FLEX IN CLAD JACKETING
	Description	K-FLEX IN CLAD special polymer cladding is a suitable solution for Oil&Gas, Industrial, Petrochemical and Marine applications. The clever and easy to install solution suitable to protect thermal insulation material (MMF, PU, Cellular glass, FEF, etc.) in order to offer: Water and Vapour tight, Oil and grease resistance, reduces the risk for CUI, UV stability, Marine salt water resistance and Mechanical resistance. K-FLEX IN CLAD special polymer jacketing, thermoformable that reduce installation time and keep maintenance costs low.

Technical Data

Material	Flexible polymeric barrier	
Color	Grey RAL 7001 and Black RAL 9011	
Thickness	1.2±0.2 mm	
MAX Surface Temperature	80°C (176°F)	
MAX application temperature, IN CLAD System	105°C (221°F) 120°C (248°F)	IN CLAD with K-FLEX ST IN CLAD with K-FLEX ECO (Short time)
MIN application temperature for IN CLAD System	-200°C (-328°F)	IN CLAD System with K-FLEX ST tested at -163°C (-260°F) and approved with a statement of feasibility by DNV
Water Vapour Permeability Moisture	$\mu > 90.000$	EN12086
Specific weight	1,8± 0.1 g/cm3	
Tensile Strength	>=6,9 Mpa	ISO 37 (Typical value 7.5 Mpa)
Elongation to break	>100%	ISO 37 (Typical values: elongation at 70%, elongation tobreak 300%)
Elastic Modulus	>=60 MPa	ISO 37 (Typical value 70 Mpa)
Modulus 10%	>1.5 MPa	ISO 37
Peel adhesion	>50 Kpa	ISO 2411
Shear strength	>20 N/25mm	ISO 34-1
Hardness	>=80 ShA	ISO 7619, ASTM D2240
UV Resistance	Extremely good	2 years of exposure in New River, Arizona (USA) as per ASTm G 7-97, no pitting, no cracking, no blistering
Salt Spray resistance	Extremely good	ISO 3768 / ASTM B 117-73, 480 hours.No color shade, no scaling, no blistering
Ozone resistance	Extremely good	ASTM D1171 72h 50ppmh 20%, no oxidation
Resistance to aging	Extremely good	ISO 4982, after 360h, 72MJ, elongation to break andmodulus conform to specification
Resistance to oil	Extremely good	ISO 1817; after 72h immersion in oil IRM 903, elongation
Impact resistance	Extremely good	EN12691; 1 Kg, 20mm, 600mm
Health aspects	Dust and fiber free	
Spread of flame	Pass	BS 476 pt 7
Spread of flame	Pass	NF 92501
Fire propagation	Pass	BS 476 pt 6
Fire requirements forshipbuilding	Pass	IMO 61/67 part 2&5
Approvals and supervision	CE Marine Mark Approved (MED, module B) Type approval by American Bureau of Shipping Type approved by Det Norske Veritas Type approved by Lloyd's Register	



	Product Name	K-FLEX IC CLAD JACKETING
	Description	Glass fiber, available in Silver (aluminum colour) or Black.

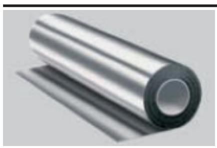
Technical data – IC CLAD – fibre-glass fabric (IC CLAD black)

	Unit		Tolerance	Specification
Weave pattern		Plain		DIN ISO 9354
Area weight	g/m2	214	±5%	DIN EN 12127
Tensile strenght	N/cm			DIN EN 12654
Warp Weft		500 350		
Finish content Thickness (approx.) Temperature Resistance Continuous load Short time resistance	% mm C°	4,00-6,00 0,18 +180 +230		DIN ISO 1887 DIN ISO 4603/E

IC CLAD – aluminium finishing (IC CLAD silver)

	Unit		Tolerance	Specification
Weave pattern		Plain		DIN ISO 9354
Area weight	g/m2	214	±5%	DIN EN 12127
Tensile strenght	N/cm			DIN EN 12654
Warp Weft		500 350		
Finish content Thickness (approx.) Temperature Resistance Continuous load Short time resistance	% mm C°	4,00-6,00 0,18 +180 +230		DIN ISO 1887 DIN ISO 4603/E

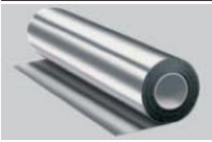
IC Clad System with K-FLEX ST



Product Name	K-FLEX AL CLAD JACKETING
Description	The AL CLAD JACKETING is smooth and shiny in appearance. It allows for continuity of the covering even on the parts where work is difficult to carry out. It does not stain and will not show finger prints. It can be cleaned with a cloth without the use of detergents. It does not oxidize and is resistant to certain aggressive chemicals.
Fire	IMO Res. A 653, BS 476 P6/7 Cl. 0
Certification	CE Marine Mark Approved Lloyds, DNV

Technical Data

Weight	Approx	388 g/m2	EN 22 286	Specification
Thickness	Approx	280 µm	DIN 53 370	DIN ISO 9354
Weight	longitudinal	175 N/15 mm	ISO 527- 3	DIN EN 12127
Thickness	transverse	175 N/15 mm	ISO 527- 3	DIN EN 12654
Weight	longitudinal	35 %	ISO 527- 3	
Thickness	transverse	40 %	ISO 527- 3	DIN ISO 1887 DIN ISO 4603/E
Weight	longitudinal	155 N/25 mm	ISO 527- 3	
Thickness	transverse	182 N/25 mm	ISO 527- 3	
Weight	longitudinal	90 N/mm2	DIN 53 864	
Thickness	transverse	90 N/mm2	DIN 53 864	
Permeability to vapour:	0,052 g/m2/d		DIN 53 122	



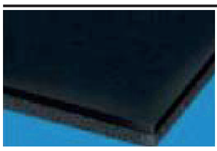
	Product Name	K-FLEX ALU JACKETING
	Description	ALU cladding, a 4 layers Aluminium-PET laminate

Technical data

Property	Value	Unit measure	Standard
Mechanical properties:			
Ultimate strength	>100	N/15mm	DIN53354
Ultimate elongation	>15	%	DIN53354
Tear strength	7	N	DIN53363
Total weight	175	g/m2	EN22286
Reaction to fire	C, S2, d0		

Acoustic Products

Urban drainage and downpipes, industrial pipes - civil and industrial machinery, insulation of traditional brick or plasterboard dividing walls, all types of flooring and applications in the shipbuilding and railway sectors.



	Product Name	K-FLEX K-FONIK ST GK
	Applications	K-FONIK ST GK is ideal for sound insulation of fixed and false walls, ceilings and false ceilings, garages and acoustic.
	Description	K-FONIK ST GK combines the features of K-FONIK GK with a layer of elastomeric K- FLEX ST.

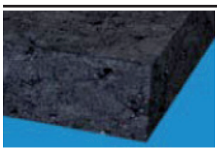
Technical Data

Material type	Flexible elastomeric foam with high-density elastomeric material
Weight	4,4 kg/m2 (K-FONIK ST GK 072)
Thermal conductivity	0,036 W/(m●k)
Fire classification	EN 13501 - Bs3d0
Temperature range	-40°C +70°C
Dimensions	1000 x 2000mm
Surface	Smooth
Colour	Black

Product Name	K-FLEX K-FONIK GK
Applications	K-FONIK GK is ideal for sound insulation of fixed and false walls, ceilings and falseceilings, garages and acoustic cabins.
Description	K-FONIK GK is a viscoelastic acoustic insulation product made with partially reticulated polymers. Its special sound insulation characteristics make this an excellent product for traditional applications in the construction sector, eg. acoustic insulation of brick walls and plasterboards and for O. E. M. application.

Technical Data

Material type	High density elastomeric material
Weight	From 4 to 8 Kg/m2
Thermal conductivity	EN 13501 - Bs3d0 1), IMO A653 (CE MARINE) 2), FMVSS 302
Fire classification	-40°C +70°C
Temperature range	1000 x 2000 and 1000 x 1200 mm Rolls 25 or 50 m
Dimensions	Smooth
Surface	2000 kg/m3 (± 10%)
Colour	Black



Product Name	K-FLEX K-FONIK OPEN CELL
Applications	Sound absorption; industrial pipes.
Description	K-FONIK OPEN CELLS is a thermal-acoustic insulation material, ideal for sound absorption applications. It combines acoustic performance and insulation characteristics. Supplied in different formats and thicknesses, based on customer requirements.

Technical Data

Material type	Flexible elastomeric foam
Density	160 - 240 kg/m3
Thermal conductivity	K-FONIK OPEN CELL 240: 0,056 W/(m●k) K-FONIK OPEN CELL 160: 0,048 W/(m●k)
Fire classification	FMVSS 302, EN13501 CS3d0
Temperature range	-40°C +85°C
Thickness	From 10 to 350mm
Colour	Black
Modulus	22 ± 3.7 (160) - 57.7 ±8.0 (240)
Elongation to Break (%)	114 ± 33 (160) - 140 ± 47 (240)

Sound Absorption Coefficient:

K-FONIK OPEN CELL 160, 10 mm αW= 0,25
K-FONIK OPEN CELL 160, 15 mm αW= 0,30
K-FONIK OPEN CELL 160, 25 mm αW= 0,45
K-FONIK OPEN CELL 240, 10 mm αW= 0,25
K-FONIK OPEN CELL 240, 15 mm αW= 0,40
K-FONIK OPEN CELL 240, 25 mm αW= 0,55

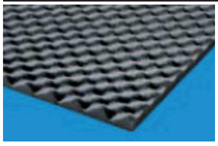
Insertion loss:

K-FONIK 160 15mm Rw=5 dB
K-FONIK 160 25mm Rw=6 d
BK-FONIK 240 10mm Rw=8 dB
K-FONIK 240 15mm Rw=10 dB
K-FONIK 240 25mm Rw=14 dB

Product Name	K-FLEX K-FONIK FIBER-P
Applications	Buses, trains, panels, ventilation systems engine rooms, etc.
Description	K-FONIK FIBER-P is a sound absorber made of polyester fibers. Mechanical and fire resistance, non-toxic and low smoke emission.Available with plastic or lead mass. Can be clad with non-woven fabric (TNT), Aluminium, PVC, fibreglass, etc.

Technical Data

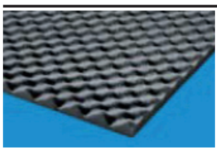
Composition	Composition 100 % Polyester Fibers
Colour	White, Black
Standard dimensions	1200 x 2000 mm
Standard thicknesses	from 10 mm to 50 mm
Flammability temperature	380 ÆC
Oxygen Index (ISO4589)	≥ 21 (LOI)
Standard density	40 ± 10% kg/m3
Fire resistance UNI 8457;UNI 9174;UNI 9176	Euroclass B, S2, d0-EN13501
Toxicity and smoke emissionAFNOR NF F 16101	F1
Performance Temperature	from -50 ÆC to + 90 ÆC (continuous)



	Product Name	K-FLEX K-FONIK B
	Applications	K-FONIK B is used in gyms, conference rooms, rifle ranges, recording studios,radio/ television studios, moveable acoustic panels.
	Description	K-FONIK B material is specifically designed for situations where sound absorption is the priority. It is made of open cell flexible polyurethane foam with a density of 25/30 kg/m3. It is also available in the K-FONIK ST B version made with rubber foam which has Class 0 reaction to fire characteristics.

Technical Data

Material type	polyurethane foam / expanded rubber
Density	25 ÷ 30 Kg/m3
Fire classification	Class 0 (BS 476 PART 6/7) only ST B versionwith rubber foam; UL 94 - HF1
Temperature	-40 °C +70 °C
Dimensions	1000 x 2000 mm - also available in rolls of different sizes
Surface	embossed
Thickness	from 20 to 50 mm
Base colour	dark grey



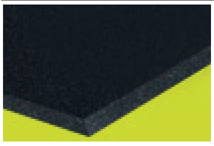
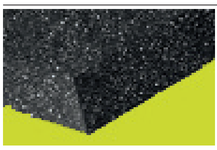
	Product Name	K-FLEX K-FONIK P
	Applications	K- FONIK P is widely used in gyms, conference rooms, firing ranges, recording studios,radio/television studios, false walls, engine rooms, etc.
	Description	This sound absorption material is manufactured with a pyramid-shaped surface, and is an acoustic insulation solution for rooms etc. Results can be obtained at medium and high frequencies (500 ÷ 2000 Hz). The material is made of flexible polyurethane open cell foam with a density of 25/30 kg/m3. It can also be applied in combination with acoustic insulation material. It is also available with adhesive on one side.

Technical Data

Material type	polyurethane foam
Density	25 ÷ 30 Kg/m3
Fire classification	Self-extinguishing
Temperature	-40 °C +70 °C
Dimensions	1000 x 1000 mm
Surface	pyramid structure
Thickness	50 - 70 - 100 mm
Base colour	dark grey

Technical Foam

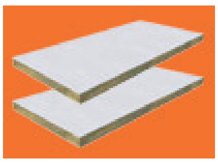
K-FLEX Performance Foams product line is well suitable for the OEM and Gasketing industries. The Group manufactures and sells its materials in large rolls and the Group's customers use the material for their custom gasketing and die-cutting business. K-TEK® is most commonly used in the Automotive, Military, Consumer Appliances, and Heavy Machinery industry.

	Product Name	Description
	K-TEK® K-41 P	K-TEK® K-41 P is a NBR/PVC-based elastomeric foam with a closed cell structure that improves equipment performance through lasting protection against condensation formation, water intrusion and heat gain or loss. It is flexible for quick installation and can adapt to various shapes. K-TEK® K-41 P is available S2S (Skin 2 Side) from 1/8" to 2" thickness* in 54" and 60" wide untrimmed rolls for cost-effective fabrication.
	K-TEK® K-41 N	K-TEK® K41-N is a NBR/PVC/CR-based foam used in the OEM industry for gasketing in general purpose applications up to 200°F. Its formulation provides excellent compression set resistance for sustained performance in demanding applications
	K-TEK® K-42 N	K-TEK® K-42 N is a NBR/PVC/CR-based foam used in the OEM industry for gasketing in general purpose applications up to 200°F. Its formulation provides excellent compression set resistance for sustained performance in demanding applications.
	K-TEK® K-40 E	K-TEK® K-40 E is a crushed EPDM-based elastomeric foam with a semi-closed cell structure. It delivers uniform compression deflection performance and provides long-term resistance to ozone, weathering and heat. K-TEK® K-40 E is available S2S in 1-1/4" thickness in 48" wide trimmed rolls. It can be used in applications up to 250° F intermittent.
	K-TEK® K-41 E	K-TEK® K-41 E is an EPDM-based elastomeric foam with a closed cell structure that improves equipment performance through lasting protection against condensation formation, water intrusion and heat gain or loss. It is flexible for quick installation and can conform to various shapes. K-TEK® K-41 E is available S2S in 1-1/4" thickness in 54" wide trimmed rolls. It is recommended to be used in applications up to 300° F continuous and 350° F intermittent.
	K-TEK® K 20-X	Chemically Cross Linked Closed Cell Polyolefin Foam Insulation. Designed taking into account internationally accepted properties for top-of-the-line insulation materials. It can be used for various application areas requiring Low Thermal Conductivity and Fire class approved product with very Flexible still tough Insulation material which offers ease of installation along with durable life span.

Firestopping products

K-FLEX insulation provides the ideal solution for firestopping combined with thermal insulation characteristics.

	Product Name	Description
	K-FLEX R90	R90 is a solution for restoring fire-stopping performance of fire resistant classified dividers where a technical breach has occurred, whilst at the same time offering insulation properties.

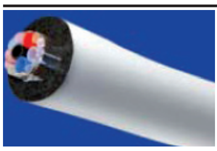
	Product Name	Description
	K-FLEX K-FIRE COLLAR	A range of devices designed to be fitted around plastic pipes where they penetrate fire separating structures.Under fire conditions the intumescent material within the collar expands to crush the softening pipe and fill the resultant opening, thereby maintaining the fire integrity and insulation performance of the floor or wall.
	K-FLEX K-FIRE WRAP	K-FLEX K-FIRE WRAP & SEALSTRIP are pipe closure devices used to form penetration seals where combustible pipes, cables and metal pipes penetrate walls and floors.K-FLEX K-FIRE WRAP is supplied at the correct length to wrap around the diameter of the pipe. K-FLEX K-FIRESEALSTRIP is supplied on a continuous roll, to be cut to the correct length during installation. The products are otherwise identical. Under fire conditions the intumescent material within the wrap expands to crush the softening pipe and fill the resultant opening, thereby maintaining the fire integrity and insulation performance of the floor orwall.
	K-FLEX FIRE WRAP	K-FLEX FIRE WRAP is a pipe closure device used to form penetration seals where combustible pipes and insulated metal pipes penetrate walls and floors. K-FLEX FIRE WRAP is supplied in bags sized according topipe diameter. The wrap is wrapped around the pipe and pushed into the aperture in the separating element or cast in with K-FLEX FIRE EX MORTAR.
	K-FLEX K-FIRE SEALANT A PLUS	K-FIRE SEALANT A PLUS is a fire resistant water-based acoustic acrylic sealant, designed for internal use with fire and smoke resisting gaps and service penetrating capability .K-FIRE SEALANT A PLUS can be used where a low movement fire resistant and/or acoustic joint is required. K-FIRE SEALANT A PLUS provides good adhesion to most common building materials like brick, concrete, plasterboard, wood etc.
	K-FLEX K-FIRE SEALANT A	K-FLEX K-FIRE SEALANT A is a one part, acrylic emulsion that intumesces and forms a char when exposed to the heat of a fire, preventing the passage of fire and smoke. In normal use, it will maintain the sound reduction index of a structure. It does not emit halogenated by-productsunder fire conditions, and does not contain any hazardous raw material. It has good, unprimed, adhesion to a wide variety of common building substrates, and it is designed to work in combination with K-FLEX K-FIREBATT to prevent the passage of fire and smoke between compartimentations whilst still allowing the installation of services.
	K-FLEX FIRE ACRYLIC	K-FLEX FIRE ACRYLIC is an one part acrylic sealant designed to prevent the spread of fire and smoke through joints and openings in fire rated walls and floors including openings formed around building service penetrations. K-FLEX FIRE ACRYLIC will also maintain the acoustic design performance in walls and floors. K-FLEX FIRE ACRYLIC cures when it is subjected to atmospheric conditions and retain a certain elasticity for joint movement. Under fire exposure, K-FLEX FIRE ACRYLIC creates a robust fire seal creating a durable intumescent char. Thermal activation takes place at about 180°C when the material will expand (intumesce) and prevent the passage of fire and smoke for periods up to and beyond 4 hours.
	K-FLEX K-FIRE SEALANT S PLUS	A one part, fire resistant, neutral curing, silicone sealant to be used in situations where a flexible fire resistant joint is required. Excellent adhesion to most building substrates, including porous materials, without the use of primers. Good durability.
	K-FLEX K-FIRE HP SEALANT	K-FLEX K-FIRE HP SEALANT is a is an intumescent pressure sealant which, when exposed to fire, expands, protecting penetrations including cables, cable bunches,cable trays, plastic and metallic pipes. K-FLEX K-FIRE HP SEALANT maintains the integrity and insulation performance of the seal through masonry and plasterboard. The sealant is intended for use in service penetrations through walls and floors where fire integrity and insulation needs to be preserved. Under fire conditions the product swells and exerts pressure to the surrounding substrates leading to closureof the penetration.
	K-FLEX K-FIRE BATT	K-FLEX K-FIRE BATT is a coated mineral wool board used to reinstate the fire resistance performance ofwall constructions where they have been provided with apertures for the penetration of single or multiple services. K-FLEX K-FIRE BATT together with K-FLEX K-FIRE SEALANT A are designed to prevent the passage of fire and smoke between compartment walls whilst still allowing the installation of services. K-FLEX K-FIRE SEALANT A is required to seal all jointsand junctions during the sealing process. K-FLEX K-FIRE HP SEALANT is required to seal around specific services. This system is tested according both EN1366-3 and BS476 pt 20/22 giving a fire resistance and smoke barrier for up to 240 minutes.

	Product Name	Description
	K-FLEX K-FIRE MORTAR	A single pack material that, when mixed with water, provides a fire resistant and smoke seal able to reinstate fire resistance of separating walls and floors when penetrated by building services.
	K-FLEX FIRE EX MORTAR	K-FLEX FIRE EX MORTAR is a gypsum-based mortar material, used to reinstate the fire resistance performanceof wall and floor constructions where they have been provided with apertures for the penetrations of multiple services. When mixed with water, the compounds form a highly thermally insulating fire sealing compound to prevent the spread of fire and smoke through openings in fire rated walls and floors, including openings formed around building service penetrations. K-FLEX FIRE EX MORTAR will also maintain the acoustic design performance in walls and floors. K-FLEX FIRE EX MORTAR expands approx. 1% by hydraulic action during curing ensuring a very tight seal around the service penetrations and the surrounding opening apertures.
	K-FLEX K-FIRE HS COMPOUND	K-FLEX FIRE HS COMPOUND is is dry blended from high quality gypsum plaster and carefully graded fire resistant aggregates to give excellent fire resistance, strength and versatile workability in floor seal applications. K-FLEX K-FIRE HS COMPOUND is readily mixed with water, to consistencies ranging from pourable through to trowelable, with a controlled expansion on setting to give a flame and smoke tight seal within the opening and around all services.

Beverage

The latest technology to meet the demands of major breweries and bottling companies. BevEx is part of the IK Insulation Group. This synergy allows continuous development of the beverage equipment market by expanding distribution and local service in growth areas of the global beverage industry. Pythons are manufactured to suit the specific customer requirements for applications with beer, soft drinks, water, wine and spirits. A standard range of pythons is available to meet the requirements of brewers and soft drink companies.

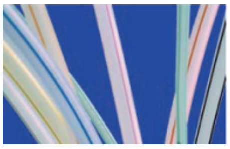
	**Product Name**	Standard Python
	Applications	Designed to maintain consistent temperature between drink storage and dispense station.
	Description	Standard taped beverage pythons are manufactured to suit the specific customer requirements for applications with beer, soft drinks, water, wine and spirits. (A range of pythons is available to meet the requirements of brewers and soft drink companies).

	**Product Name**	Coated Python White
	Applications	Designed to be used in all standard python installations.
	Description	Coated pythons are designed specifically to meet the combined performance requirements of durability, fire performance and flexibility. • BS476 Class 0 Coating • Tough and durable protective jacket • Suitable for demanding environments physical properties and mechanical strength • Available in black or white colour finishes • UV resistant option available

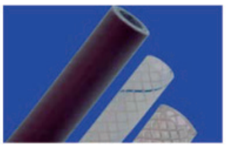
Product Name	Energy Python
Applications	Designed to provide improved thermal efficiency in all installations. Ideal for super-chilled beverages and maintaining consistent temperatures for fixed and mobile applications.
Description	Designed to offer improved energy efficiency which achieves savings in energy consumption and reduced heat gain on the dispense system. The reduction in energy consumption results in greater reliability of the system and better consistency of the beverage temperature, appearance and taste. It can be up to 20% more efficient than a standard python.

Product Name	ECO Python
Applications	Ideally suited to environments with specific safety requirements – shipping, airports, railway stations, public facilities.
Description	Eco Pythons are designed specifically for environments with particular safety requirements such as ships, airports, railway stations and public arenas such as sports stadiums, community centers and exhibition halls. The total absence of toxic materials in the composition of the python foam means that any fumes given off during a fire are transparent and non-toxic. Ecology and the environment are the primary targets of its development.

Beverage – Accessories



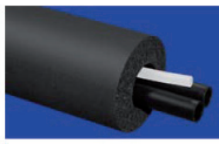
HI-GLOSS Food Grade Tube



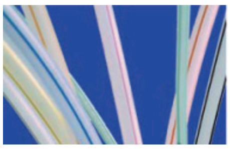
Reinforced Food Grade Tube

Tube and Python Cutters

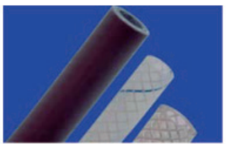
Barbfit Acetal Barbed Fittings



Mini Looms for Tap and Trace Cooling



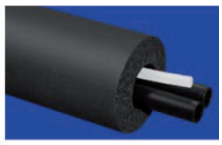
Glycol tubing



Standard Food Grade Tube

PE Ultra Food Grade

HI-GLOSS Food Grade
Tube Tube

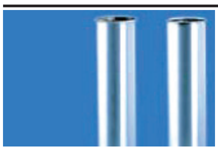


Duoflex Two-layer tube

Various

Product Name	ALU
Applications	If not already pre-cut, cut the sheet to the required circumference. Wrap the sheet around the insulation, seal the longitudinal edges with adhesive foil tape and plastic rivets.
Description	Self-wrapping embossed protection sheet in rolls of 99.5% pure aluminium. Sheet thickness 0.1 and 0.2 mm. Supplied in 1 m wide rolls. Properties: the product grips perfectly to all cylidrical pre-insulated surfaces, it is light, easy to handle, protects the insulation and enhances the overall appearance. It is fire-proof.

Product Name	PLASTIC RIVETS
Applications	It can be applied to flat metal surfaces for fastening insulation material in sheet or roll form(mineral wool, polyethylene, etc.).Strongly recommended for air-conditioning ducts.
Description	Important for correctly fastening PVC and AL CLAD sheets.PLASTIC RIVETS: box of 100 WHITE and GREY rivets.PUNCH: straight/angularK-FIX. Galvanized steel installation hangar spike with a 50x50 mm base. With adhesive and non-adhesive surface, with a 2,7 mm diameter stick pike, and a self-blocking 30 mm diameter disc.



Product Name	BLECH-MT-CU
Description	99.5% PURE ALUMINIUM SHELL and 90° ELBOWS with a thickness ranging from 0,6and 0,8.MT 500: male and female ball swaged edges calendered tube, with reinforced length-wise drilled sealing system.

Product Name	CA-200-TIPO-W
Applications	After having taken the measurements and having chosen the suitable type of elbow, place itonto the part to be covered. The internal borders should overlap to allow for fastening with the appropriate plastic rivets (see the section “components: fixing products”).
Description	90° single-piece elbows in laminated plastic. Apart from enhancing the overall appearance of the insulated part, they increase protection against impact.

Product Name RANGE OF GLUES

Description K-FLEX K 414, K 420 and K 425 glues have been specifically designed for use with K- FLEX elastomeric foam insulation material.The securely bonded surfaces and joints are resistant to ageing and atmospheric agents, and preserve the technical characteristics of the insulating material.

Product Name SPECIAL THINNERS

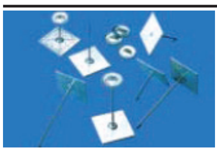
Description Before covering the surfaces to be insulated, it is advisable to clean them with the specialK-FLEX thinners which, thanks to its composition, is also suitable for use with K 414, K 420 or K 425 adhesives. Cleaning of all surfaces with the special K-FLEX thinners also improves the performance of the adhesives. The special K-FLEX thinners can be also used for cleaning brushes and spatulas used to spread the glue.

Product Name ADHESIVE DISPENSER

Description A useful accessory that controls flow and helps spread adhesives evenly on insulation surfaces, avoiding having to continuously dip the brush into the tin of adhesive.The adhesive correctly diluted, is manually pumped through the brush.

Product Name Water-based paint for coverings

Description K-FINISH is a water-based paint for coverings on internal and external installations insulated with K-Flex materials.With its polymerized acrylic base, it does not pollute and does not give off odors, and is particularly recommended for all indoor uses. Quick drying, it offers protection. Coats of white paint, applied over a layer of K-FINISH will maintain their colour even in dark environments. The colours are resistant to light.



Product Name K-FIX

Description Apply the chosen insulation and insert the self-locking disc. If the shank exceeds thethickness of the insulating material, cut away the excess. Non-adhesive K-FIX: weld the plate to the metal surface.

Product Name	PVC PREFORMED
Description	Laminated plastic PVC single piece T sections. Ideal for protecting insulated pipes ofmedium and large diameters.

Product Name	RS-590
Applications	It is used as a protective covering and to enhance the external appearance of large and small cylindrical pipes insulated with elastomeric material, glass wool mats, rock wool mats, polyurethane and polystyrene pipe coverings.
Description	A rigid PVC self-rolling sheet with a smooth grey surface. The sheet adheres to cylindrical pre-insulated surfaces.Light and easy to use, this non-drip self-extinguishing product protects the insulation as well as enhancing overall external appearance.

Product Name	TERMINALS
Description	Special end-capping in ribbed aluminium for sealing the ends of insulated pipes. Available in the following colours: SILVER, LIGHT GREY, BLACK, BLUE AND RED. Length of rolls – 10 m. The different colours make it easier to identify the various pipes of a system.

Product Name	K-BOX
Description	Insulation for single fittings.Heating and Air Conditioning. Each piece has been specifically designed in order to match the equipment to be insulated. The elastomeric closed cell structure offers a very low thermal conductivity combined with excellent resistance to water vapor diffusion. K-FLEX K-BOX are available in removable or non removable versions.

Raw materials and suppliers

The primary raw materials that the Group uses in its products are NBR, EPDM, Fillers, PVC, Sytex / Anthinomy, Carbon Black and Blowing agents. These components are subject to raw material availability and commodity price fluctuations, which K-Flex monitors on a regular basis. As is customary for international production companies, the Group enters into agreements for the provision of raw materials directly with local and international suppliers. The Group's local supplier network allows K-Flex to purchase raw materials, when possible, 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 the Group's orders are short-term purchase orders, the Group is often able to pass any raw material price increases along to its customers.

The only complex raw material with extensive utilization for K-Flex is NBR. However K-Flex has the option to choose between a wide range of suppliers. The decision is taken considering quality, price, service and payment terms.

The Group maintains close, longstanding relationships with a large network of suppliers to ensure supply and quality of the necessary materials. K-Flex Group uses multiple suppliers in each manufacturing location in order to protect against potential supply shortages and to avoid reliance on a single supplier. Moreover, it uses local suppliers whenever possible to reduce transportation costs and delivery delays.

Aside from NBR, the main raw materials used by K-Flex are fillers (i.e. Allumina, etc.), flame retardants (sytex, Antimony, etc.), PVC/Copolimer, CPE, Blowing agents (Azo, etc.) and Accelerators (ZDMC, DPTT, etc.).

Main K-Flex projects worldwide

K-Flex does not sell commodities, but highly innovative and technical solutions applied in a wide range of sectors. As a result, every year K-Flex' products are used and installed in thousands of projects all over the world. In the following table are reported some of the main projects in which K-flex was involved over the last five years:

Civil Applications

New Polo Exhibition of Milan, Italy	International Airport Sochi Vip Terminal, Russia	Corinthians Arena, Brasil
Monza Racing Track, Italy	Krasnaya Polyana railway station, Russia	Pantanal Arena, Brasil
Pirelli, Milan, Italy	Mediacenter, Russia	Manaus International Airport, Brasil
Il Sole 24 ore, Milan, Italy	Olympic Park railway station, Russia	Galeão International Airport – Rio de Janeiro, Brasil
Il Lingotto FIAT, Turin, Italy	Resort Gorky Gorod, Russia	Beira Rio Stadium, Brasil
Volkswagen, Wolfsburg, Germany	Russian International Olympic University, Russia	Trenitalia (FS), Italy
Disneyland, Paris, France	The Adler Arena Trade And Exhibition Center, Russia	Intercity Trains SNCF, France
La Fenice Theatre, Venice, Italy	The Ice Cube Curling Center, Russia	Norwegian Railways, Norway
Emirates Tower, Dubai, UAE	The Iceberg Skating Palace, Russia	SBB CFF FFS, Switzerland
“Clean Room” Project, Philiipines	The Organizing Committee of the XXII OlympicWinter Games, Russia	Boston e S.Francisco Underground, USA
Polytechnic, Singapore	The Rosa Khutor Alpine Resort, Russia	Cagliari Airport, Italy
Chl Klinik, Luxemburg	California Street Thermal Plant , USA	Olbia Airport, Italy
New Hospital, Ljubljana, Slovenia	The Renaissance (Charleston Harbor), USA	Bucarest Airport, Romania
Kanada Haus, Berlin, Germany	Al Jalila Children’s Specialty Hospital, Dubai	Malpensa – Hangar and CargoCity, Italy
AGFA, Leverkusen, Germany	New York University, Saadiyat Island Abu Dhabi, UAE	Ezisa-Buenos Aires Airport,UAE Argentina
Daimler Chrysler, Rastadt, Germany	Brookshire Grocery, USA	Rome-Fiumicino Airport, Italy
University, Düsseldorf, Germany	Maryland Health & Human Services Building, USA	Catania Airport, Italy
Euroforum, Luxemburg	Duke University Smart House, USA	Naples Airport, Italy
Top Tower, Darmstadt, Germany	Bellefonte High School, USA	La Scala Theatre – Milan, Italy
Martenhospital, Dortmund,Germany	Centura Avista Adventist Hospital, USA	La Fenice Theatre – Venice, Italy
Barilla Factory, Parma, Italy	St Petersburg Bank, USA	Auditorium – ROME, Italy
Bayer AG, Chemiepatk –Leverkusen, Germany	Green campus basilisco, Italy	Pier Lombardo Theatre – Milan, Italy
Hospital Zamo, Poland	Microsoft Offices, France	Etna Polis Shopping Centre – Catania, Italy
State Street Bank, Luxemburg	Assemblée Nationale, France	Interporto Shopping Centre-Nola, Italy
ST Microelectronics, Agrate/Catania, Italy	Necker Hospital, France	Centro Direzionale ShoppingCentre – Naples, Italy
IBM, Segrate, Italy	Descartes Tower, France	New Hospital of Malta, Malta
Ferrero, Alba, Italy	Airbus Industrie, France	Paolo and S.Raffaele Hospital, Italy
SNew regional office in Lombardia, Italy	Sanofi, France	Brescia Hospital, Italy
Innovasjonssentret, Oslo Universitet, Oslo	Vallecas Hospital, Spain	Bari Hospital, Italy
Posten Norge, Lørenskog, Oslo	The Yas Hotel, Yas Island, Abu Dhabi	Modena Hospital, Italy
Stadion Miejski, Poland	La Fe Hospital, Spain	Reggio Emilia Hospital, Italy
PGE Arena Gdansk, Poland	Cartagena Hospital, Spain	Varese Hospital, Italy
Stadion Narodowy, Poland	Barajas Airport T4, Spain	Treviso Hospital, Italy
Adler railway station, Russia	Dueñas Penitentiary Centre, Spain	Santa Chiara Hospital – Trento,Italy
Big Ice Hockey Arena, Russia	Aranjuez Penitentiary Centre, Spain	Livorno Hospital, Italy
Boiler room number 19, Russia	Reina Sofia Museum, Spain	Foligno Hospital, Italy
Central Olimpic Stadium FISHT, Russia	FIFA’s International Broadcast Center, Brasil	Mestre Hospital, Italy
Hotel Hyatt Regency, Russia	Maracanã Stadium, Brasil	Castelfranco Veneto Hospital, Italy
Hotel Mariott, Russia	Clube Atlético Paranaense Arena, Brasil	Corinthians Arena, Brasil
Arena of the future – Handball, Brasil	IBC – international broadcasting, Brasil	Carioca arenas (1, 2 and 3), Brasil
Media hotel, Brasil	Extension of Galeão international airport piers A, B and C, Brasil	

Ship Building

MontecarloYachts, Italy	Grimaldi	H.A.I.
Portaerei Cavour, Italy	Excelsior	Disney Cruise Line
Horizon class frigate, Italy	Minoan Lines	P&O
Fregates FREM DCNS, France	Tirrenia	Carnival
Costa		

Oil&Gas, Industrial Applications

Aker Solutions, Oslo	Visotskii Rpk Oil Terminal, Russia	Moho – Bilondo, Congo
Dakota Gas Company, USA	FPSO P54, Brazil	Yadana Gas Field, Myanmar
LNG SHIP, Brunei	Moliqpak Platform, Russia	LNG Q-Max (boil-off gas reliquefaction EcoRel), Korea
GAS DE FRANCE, France	FPSO Sable, Canada	LNG Loading Facilities Test atMontoir-de-Bretagne, France
ISAB – Priolo, Italy	Sakhalin II, Russia	LNG Peak Shaving Plant, China
Kazakhstan_Kashagan Barges (by BIS Industry), Norway	FPSO Terra Nova, Canada	LNG Terminal Arzew, Algeria
Kazakhstan_Kashagan Barges	Thebaud Platform, Canada	FPSO Akpo – Usan Field, Nigeria (by Navalmare), Italy
AL JABEERA, Qatar	Prirazlomnaya Platform, Russia	Hull No 2273 and 2277147 000 m3, Brunei
LNG skid, Thailand	Marevo Vasilevskii (Two Oil Tankers), Russia	LNG Terminal Arzew, Algeria
Scarabeo 8, Italy	Scarabeo 5 – Drilling Semisub Vessel, Norway	Pearl GTL (Gas-to-liquid)
FPSO P43 – Barracuda Field, Brasil	Statfjord A Platform, Norway	Ras Laffan Terminal, Qatar
FPSO P50, Brazil	Qarn Alam, Oman	EcoRel Reliquefaction System. Nitrogen at -196°C, Italy
D-6 Platform, Russia	FPSO Golfinho, Brazil	Nitrogen-Oxygen Plant, Italy
T-47 Drilling Rig, Kazakhstan	OGVA 7500 Semi Rig, Norway	Menzel Ledjmet East Field, Algeria
Yastreb Drilling Rig, Russia		

New products and projects

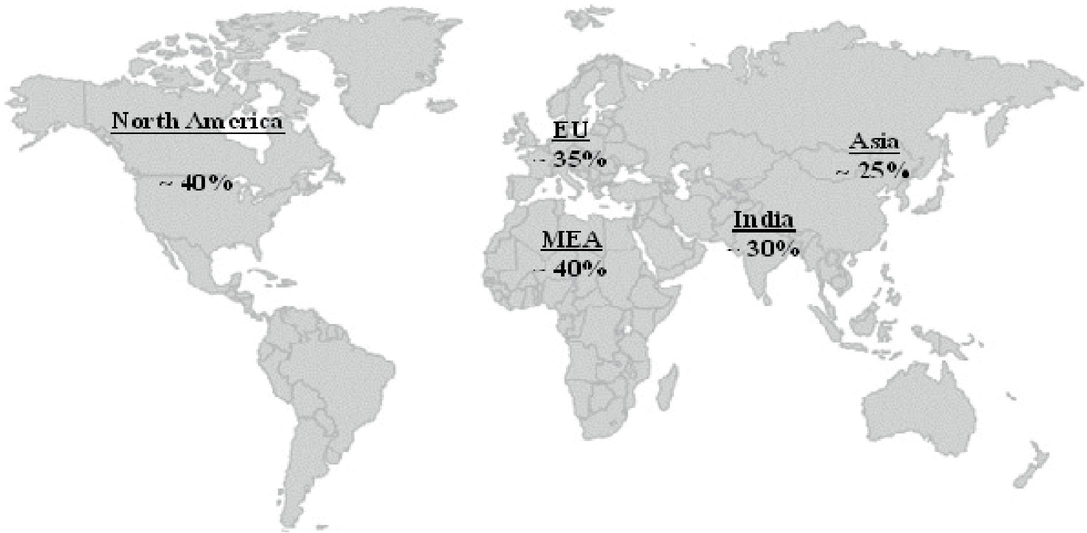
In order to provide new and more effective solutions and systems for many different application areas K-Flex Group has developed new technologies for the production of elastomeric insulation and other products in order to provide new and more effective solutions and systems for many different application areas. In addition, the increasing requirements in energy consumption regulations in buildings, railways, ships, industry, Oil & Gas, fire stopping, thermal acoustic system, gasketing market and automotive present an opportunity for future product applications.

K-Flex believes it has the following competitive strengths:

Global player with widespread technical-commercial presence

Management believes that K-Flex is a market leader in the global elastomeric thermal and acoustic insulation market. Based on internal estimates, management believes that the Group has a share of the global elastomeric thermal and acoustic insulation market of around 35% with a significant market share in most of the regions in which it operates.

Based on internal estimates, management believes that with the exception of one or two competitors, most other players in the elastomeric thermal and acoustic insulation market cover only limited geographies, or a limited product range, compared to K-Flex. For example, in Europe, K-Flex has a sales-force comprising 70 engineers who essentially customize the products in partnership with customers.



International focus and proven capacity for foreign expansion

The global presence of K-Flex has grown in response to market demands. The Issuer sells products in 60 countries, with 25 companies 10 of which are production units with more than 2,000 employees.

All production sites have been recently built or refurbished and current capacity is adequate to support sales exceeding € 450 million.

K-Flex is geographically diversified. K-Flex has no area / region representing more than 35 per cent. of total Group sales (Emea ~ 30%, Asia ~ 31%, America ~ 21%, Russia / Poland ~ 17% and other countries ~ 1%).

Key player in emerging markets

In the coming years, K-Flex believes that there may be some growth of the elastomeric thermal and acoustic insulation market in certain emerging markets (Russia, India, Poland, South East Asia, China, etc.) and the USA, where, based on internal estimates, K-Flex believes it is one of the leading players. K-Flex has not pursued its strategy to decrease labor costs, but instead, is expanding in order to produce locally and serve local markets more efficiently. Thanks to its international presence, K-Flex seeks to guarantee its customers with a delivery time within 48 hours worldwide. Set out below is the market share that K-Flex believes it has in the elastomeric thermal and acoustic insulation market in the geographies indicated, based on internal estimates.

K-Flex India | K-Flex Dubai | K - Flex China | K-Flex Malaysia | K-Flex Russia

India
Market Share:~30%

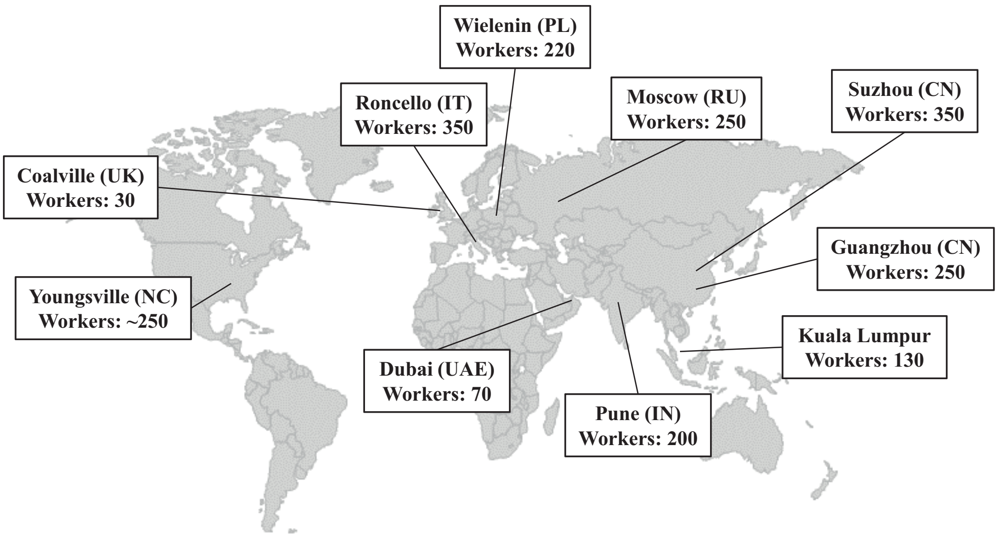
Middle East & Africa
Market Share:~40%

Asia
Market Share:~25%

Russia
Market Share: – 90%

Manufacturing expertise in innovative and technical products

K-Flex has an extensive local industrial footprint covering five continents with 25 local subsidiary companies (out of which 10 are production units). This network has been set up with a view to being able to respond rapidly to the needs of customers and deliver solutions quickly.



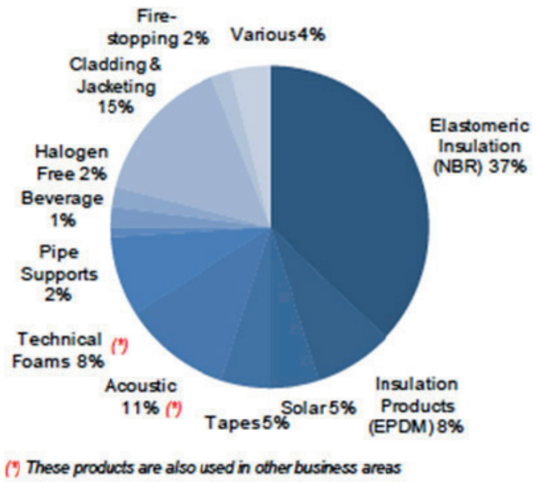
In order to increase its proximity to its clients, K-Flex has invested in production facilities and machinery across a number of jurisdictions as indicated above.

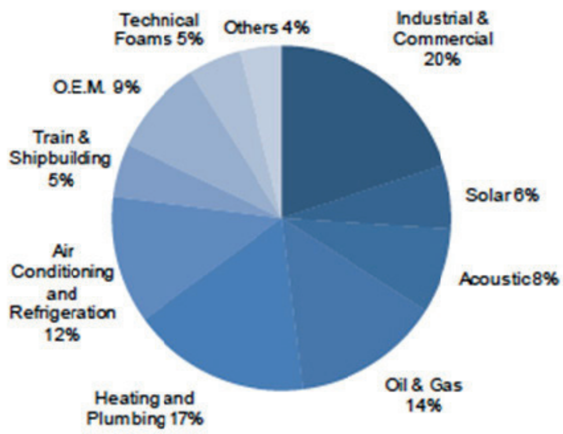
Through these facility investments, the Group has increased its production capacity, with a view to supporting the Group's business plan, as well as being able to absorb local peaks related to event-driven orders. Likewise, all the Group's production lines have been refurbished with a view to supporting the future industry cycle and any future growth.

K-Flex focuses predominantly on the sale of highly innovative and technical products. The Group K-Flex has international and local certifications and licenses which are required by customers and management believes that this is key to its ability to to compete on a global scale

Highly diversified product range and capacity for technical innovation

The Group has been operating in the traditional sectors of HVAC, Commercial / Industrial for many years, and management believes that it has maintained its position in the market thanks in part to its ability to introduce technological innovations. K-Flex has recently worked to diversify its product base into new applications and market niches. The Beverage, Technical Foams / Gasketings and Acoustic markets are new areas K-Flex has approached recently.





Net Financial Indebtedness

The Group Net Financial Indebtedness as of 31 December 2015 amounts to Euro 126,478 thousand comprised of (i) Euro 100,000 thousand in bonds, (ii) Euro 69,732 thousand in bank borrowings, (iii) Euro 14,937 thousand in payables to other lenders and (iv) Euro 58,191 thousand in cash and bank and treasury stock. The details on Net Financial Indebtedness are shown as follows.

Bonds

On 1 July 2014, the Issuer issued Euro 100,000 thousand 6 per cent. bonds due 1 July 2020, which are listed on the ExtraMOT multilateral trading system managed by Borsa Italiana S.p.A..

Bank Borrowings

	Due within 12 months	Due after 12 months (€/000)	Total
Current Account Liabilities	1,213	0	1,213
Export Advances	48,929	0	48,929
Loans	2,640	16,950	19,590
Total	**52,782**	**16,950**	**69,732**

Loans all bear interest at a floating rate based on Euribor plus a margin.

In 2011, the Group entered into Interest Rate Swaps for hedging purposes with its principal lenders (Unicredit, Intesa SanPaolo, BNL) relative to all the outstanding loans. As of today, only certain derivative agreements are still open (Euro 9,362 thousand), since most of them have expired (ca. Euro 23.0 million). The fair values and notional values of the outstanding derivative agreements are set out below:

	Nominal amount in thousand of Euro	Closing	Fair value in thousands of Euro	Type of contract
Unicredit	6,000	29/03/16	(81)	interest rate swap
Unicredit	1,608	31/12/16	(35)	interest rate swap
Unicredit	518	31/12/16	(11)	interest rate swap
Unicredit	364	30/12/16	(8)	interest rate swap
BNL	873	30/12/16	(25)	interest rate swap
Total	**9,362**		**(160)**	

These instruments are intended to manage and cover the financial risks connected with medium-long term transactions structured both as loans and as finance leases.

Payables to other lenders

Type of loan	Due within 12 months	Due after 12 months (€/000)	Total
Subsidized loans under Technological Innovation Law 46/82	319	1,140	1,459
Cassa Depositi & Prestiti Loan Law 46/82	416	1,123	1,539
Payable to other lenders (final lease)	3,725	4,842	8,567
Cassa Depositi & Prestiti Loan Law 311/04	606	2,766	3,372
Total	**5,066**	**9,871**	**14,937**

The subsidised loan accounts refer to subsidised loans obtained by L'Isolante K-Flex S.p.A. for investments by the company in technical innovation projects pursuant to Law 46/82, disbursed in three tranches in 2002, 2004 and 2005 respectively, in 2011 and 2014 and covering a Law 311/04 technological innovation project disbursed in two instalments in 2015. Payables to other lenders (finance leases) consist solely of accounts payable to leasing companies for the financing of production plants.

Intellectual property

As of the date of this Offering Memorandum, the Group owns a limited number of patents on certain products and/or systems covering some aspects of the Group's products, though management is of the view that patents do not form the basis of its business and the Group's intellectual property portfolio is just one of the means by which the Issuer attempts to protect the Group's competitive position. The Issuer relies on a combination of know-how, trade secrets, trademarks, copyrights and contractual restrictions to protect the Group's products. The Issuer has actively monitored and challenged violations of the Group's intellectual property rights in the past, and the Issuer intends to continue to actively protect the Group's intellectual property rights in the future to the fullest extent possible. The Group is not aware of any third-party infringements of its patents and trademarks, and the Group does not license any of its patents to third parties.

The Issuer has registered the Group's trademarks and logo in the primary jurisdictions in which it operates and in selected other countries where the Group's operates, and has also registered the Group's trademarks in selected foreign countries outside Italy. Although in principle the Group's patents are important in the operation of the Group's business, the Issuer does not believe the loss, by expiration or otherwise, of any one patent or group of patents would materially affect the Group's business.

Below some examples of the Group's registered trademarks:

K-FLEX® LS
K-FONIK®
K-FLEX ECO™
K-FLEX FIRESTOPPING
K-FLEX® LS SHEET
K-TEK®
Isoline
K-FLEX SOLAR HT
Rubaflex

Insurance

K-Flex maintains insurances policies that it believes are customary in its industry. At a corporate level, the Group maintains comprehensive policies covering all of the countries where the Group operates with respect to general liability, property damage, third party liabilities, product liability and directors' and officers' liabilities and health and safety. K-Flex also maintains various policies necessary to comply with local laws and regulations. The management believes that the level of insurance which the Group maintains is appropriate for the risks of its business.

Employees

The Group is currently present in over 60 countries and has 25 consolidated and non-consolidated subsidiaries, of which 10 are production units. As at the date of this offering memorandum, the Group has more than 2,000 employees.

Health and safety

The Group has implemented global health and safety procedures. K-Flex is focused on integrating risk prevention throughout all subsidiaries and locations with a view to improving working conditions, as well as the health and safety of employees.

The Group has had no major health or safety incidents in the last three years.

Measures pursuant to Legislative Decree 231/2001

Pursuant to Legislative Decree 231/2001, which transposed into Italian law a European Union directive promoted by the OECD aimed at combating corruption, the parent company, L'Isolante K-Flex S.p.A., has carried out a thorough risk analysis, drafted, approved and adopted (and has required third parties to adopt) a code of ethics, designated a compliance officer and carried out a programme of training courses focused on certain areas of the organization that are most exposed to white collar crime, as envisaged by the statute in question.

The directors, employees and independent contractors are required to familiarize themselves and comply with the Code of Ethics, contribute to its implementation and report any gaps.

The Issuer is committed to facilitating and promoting awareness of the Code of Ethics by addressees, be they directors, employers or independent contractors of other companies with which it has dealings.

Following the enactment of Law 123/2007, a special body has been set up to monitor and inspect compliance with health and safety regulations.

The Group is currently aiming to extend a framework of regulatory instruments and anti-corruption policies to all the existing subsidiaries in order to comply with the best international practices.

Regulatory framework

Insulation material in the market must respect national and international legislation.

Several certificates are required, often different for each country in which products are manufactured or sold. The Group monitors these requirements with a view to its products complying with local and international regulation.

Environmental issues

The Group's sites and its operations are subject to various jurisdictions and work safety regulations. These regulations govern, among other things, work safety conditions, the release of pollutants into the air, water and ground, as well as the use, storage and disposal of hazardous substances. As of the date of this Offering Memorandum, the Issuer's management believes that it is in compliance with all applicable environmental regulations, and the Group has the regulatory authorisations to carry out its operations. In addition, as of the date of this Offering Memorandum, the Group knows of no existing environmental problems that could affect the use of its tangible assets.

Litigation

The Group is occasionally involved in civil, administrative, tax and other disputes, litigation, arbitration and other proceedings in the ordinary course of business. As at the date of this Offering Memorandum, there are no material legal or arbitration proceedings pending against the Issuer or any of its subsidiaries.

Management

Board of directors

The current members of the board of directors were appointed by a resolution passed at the Issuer's annual shareholders' meeting on 29 February 2016, and the following table shows their names and positions.

Name	Position with Issuer
Amedeo Spinelli	Chairman
Carlo Spinelli	Director and Managing Director
Marta Spinelli	Director

The appointments of the current members of the board of directors will expire upon approval of the Issuer's annual financial statements for the financial year ending on 31 December 2018.

The business address of each of the members of the board of directors is the Issuer's registered office.

Board of statutory auditors

The current members of the board of statutory auditors were appointed for three-year terms by a resolution passed at the Issuer's annual shareholders' meeting held on 29 February 2016, and the following table shows their names and positions

Name	Position with Issuer
Roberto Guaita	Chairman
Gianandrea Borghi	Statutory auditor
Francesca Ragadali	Statutory auditor
Ambra Maimone	Alternate auditor
Mario Spalla	Alternate auditor

The business address of each member of the board of statutory auditors is the Issuer's registered office.

Conflicts of interest

So far as the Issuer is aware, there are no potential conflicts of interest between any duties of the members of the board of directors and the board of statutory auditors and their private interests.

Senior management

The senior managers listed below are considered relevant to the Issuer's assertion that the Group has the appropriate expertise and experience for the management of the Group's business.

Name	Years in K-Flex	Role
Davide Di Donato	1	Group CFO
Giuseppe Biava	17	Parent Company CFO & Treasury Man.
Gianluca Consentino	5	Corporate Marketing Director
Matt Hair	8	Global Sales & Markt. Man. (Tech. foams)
Diego Molina	4	Corporate R&D/Tech Director
Biju Thomas	9	Global Department R&D
Eugenio Cicero	8	Global IT Manager
Giuseppe Guarino	12	General Manager K-Flex USA
Joseph D. Humphries	13	Supply Chain Director K-Flex USA
Charles Khoo	21	CEO K-Flex Chinese Group
Triviyan K. Kalra	8	Director & CEO K-Flex India
Manuel Pérez Alonso	18	General Director K-Flex Espana
Frank Baur	16	General Manager K-Flex Germany
Andrzej Truszkowski	17	General Director K-Flex Russia
Bartlomiej Grobner	12	General Director K-Flex Polska
Patrick Godefroy	20	General Director Sagi & Arma Decoup

Share capital and shareholders

As 31 December 2015, capital stock was represented by 56,700,000 ordinary shares with a par value of Euro 1 each.

The share capital of K-Flex is held by Amedeo Spinelli (22 per cent.), Carlo Spinelli (9 per cent.) and Sinalux S.A. (69 per cent.).

SIMEST

Pursuant to certain arrangements with SIMEST S.p.A. Società Italiana per le Imprese all'Estero ("**SIMEST**"), a non-controlling stakeholder in a number of the Group's international subsidiaries, the Issuer is required to make annual payments on equity invested by SIMEST in such subsidiaries in order to benefit from the full rights on such stakeholding (usufruct—voting and economic rights) in such subsidiaries and the Issuer may be required to purchase such equity upon termination of the investment periods pursuant to a put option granted to Simest.

Minority interest refer to the equity investments held by SIMEST in K-Flex Malaysia (35.68%), L'Isolante K-Flex Hong (39.94%) and IK Insulation (36.70%).

€ thousand **Subsidiaries**	**Amount***	**SIMEST Stake**	**Put option exercise date**
K-Flex Malaysia	3,064	35.68%	30 June 2020
L'Isolante K-Flex Hong	3,800	39.94%	30 June 2017
IK Insulation	5,500	36.70%	30 June 2017
K-Flex India Private Limited**	5,000	41.90%	30 June 2021

(*) Nominal Invested Amount
(**) Not within the perimeter of the consolidation of the Issuer

Expansion capital expenditure in recent years

K-Flex have completed certain capital expenditures over the last three years. focused on positioning the Group to pursue opportunities in Asia Pacific, North America, the Middle East, Eastern Europe and Russia. As a consequence, the capital expenditure was mainly aimed at increasing the Group's production capacity through updating existing production facilities, purchasing new machinery and investing in the development and industrialisation of new products.

K-Flex has historically started its international expansion through local partners (JVs) and progressively obtained the full control of these companies acquiring in each new country the whole amount of the shares.

Investments completed over the last three years include new production facilities in Dubai, Poland and Malaysia. Management believes that its regional production capacity and market opportunities puts the Group in a position to address mature and emerging markets, and that going forward the Group's primary focus will be expanding sales and engineering coverage in certain regions, while expanding market share, continuing to grow relationships with existing and new customers and adding new products and systems.

Recent developments

In March 2016 the Group sold its 50% stake in Ode K-Flex Ltd, a Turkish company that manufactures and markets rubber insulation materials, and as such this company no longer forms part of the Group.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The tables below set out an overview of consolidated statement of financial position and income statement information for the Group as at and for the years ended 31 December 2015 and 31 December 2014. Such information is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the full audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2015 and 31 December 2014, in each case together with the accompanying notes and reports of the Issuer's external auditors, all of which are incorporated by reference in this Offering Memorandum.

These consolidated financial statements have been prepared in accordance with current statutory regulations, and in particular Legislative Decree 127/91. The tables below are translated into English from the original Italian.

Consolidated K-Flex Group income statement highlights

The Group's income statement reclassified by the management is presented below, with a comparison to the figures from the previous year (in thousands of Euro):

	31 December 2015	31 December 2014	Change
	(Euro thousands) *(Audited)*		
Net revenues	305,309	288,656	16,653
Other operating income	15,209	9,625	5,584
External costs	(224,343)	(209,418)	(14,925)
Added value	**96,175**	**88,863**	**7,312**
Labour costs	(37,834)	(34,893)	(2,941)
EBITDA	58,341	53,970	4,371
Amortization, depreciation and write-downs	(23,656)	(20,012)	(3,644)
Operating income	**34,685**	**33,958**	**727**
Other income	1,791	696	1,095
Financial income and expenses	(17,757)	(17,568)	(189)
Income from ordinary operations	**18,719**	**17,086**	**1,633**
Adjustments to financial assets	0	345	(345)
Net extraordinary items	(5,154)	(3,834)	(1,320)
Pre-tax income	**13,565**	**13,597**	**(32)**
Income taxes	(2,444)	(2,485)	41
Net income	**11,121**	**11,112**	**(9)**

For the year ended 31 December 2015, the Group achieved an increase in its sales revenues of Euro 16,653 thousand, or approximately +7% compared to 2014, in terms of volumes, owing above all to increase in sales reported in the USA, Asia and the Middle East.

For the year ended 31 December 2015, the item "Other operating income" amounted to Euro 15,209 thousand, an increase of Euro 5,584 thousand compared with 2014, consisting, inter alia, of the costs incurred by the parent company L'Isolante K- Flex S.p.a. (Euro 4,150 thousand) mainly for the study and in-house realization of 3 projects for technological innovation of the production process and improvement of the insulation performance of the final products, which was still under way on 31 December 2015.

For the year ended 31 December 2015, external costs amounted to Euro 224,343 thousand (comprising mainly of raw materials costs (Euro 160,714 thousand) and costs for services (Euro 46,385 thousand)), an increase of approximately 7% compared with 2014. For the year ended 31 December 2015, service costs alone fell by about 4% compared to 2014, partly due to the policy implemented by the Group to streamline certain costs, while raw material costs increased by approximately 9% compared to 2014, due to both greater sales and higher production volumes. The greater production undertaken in FY 2015 gave rise to higher costs, especially in relation to typical operating costs (such as transportation and logistics costs), although they were set off by a reduction in commercial costs, consulting expenses and administrative costs.

For the year ended 31 December 2015, labour costs increased by Euro 2,941 thousand (+8%) compared to 2014 due to both the increase in production volumes, which entailed an increase in hours worked, and an expansion in headcount.

Despite the increase in operating costs (external costs up by 7% and labour costs by 8%) in 2015 compared to 2014, the Group improved its gross operating margin (EBITDA) for the year ended 31 December 2015, which rose by Euro 4,371 thousand, or +8%, compared with 2014. Management believes that the improvement in the K-Flex Group's EBITDA was mainly attributable to the policy implemented by the Group of focusing its operations in more profitable technical sectors.

With regard to "Amortization, depreciation and write-downs", the increase for the year ended 31 December 2015 compared to 2014 (Euro 3,644 thousand) is mainly attributable to the investments made by certain Group companies in 2015 at production plants in order to improve and intensify its own activity, which led to an increase in depreciable assets.

The Group's financial income and expenses showed a moderate increase in interest and other financial expenses of Euro 189 thousand for the year ended 31 December 2015 compared with 2014, primarily due to an increase in bank expenses and financial fees. Interest at the rate of 6% accruing in 2015 was recognized on the bond issued by the parent company L'Isolante K-Flex S.p.a. for the period from 1 January 2015 to 31 December 2015 for a total of Euro 6,000 thousand.

The Group's financial income and expenses in 2015 were also influenced by the currency transactions that generated a loss of Euro 709 thousand. The change in this item from the previous year was attributable particularly to the effect generated by the Russian ruble, whose exchange rate changed from 72.3370 Rubles/Euro at 31 December 2014 to 80.6736 Rubles/Euro at 31 December 2015, and from an average value of 50.9518 Rubles/Euro in 2014 to 68.0720 Rubles/Euro in 2015.The Group's net extraordinary expenses for the year ended 31 December 2015 resulted from the combined effect of the extraordinary income (Euro 118 thousand) and extraordinary expenses (Euro 5,272 thousand) recognized in 2015. The main extraordinary expenses included:

- extraordinary expenses incurred by the associated company K-Flex Polska for expansion of its own leased building (Euro 593 thousand);
- costs for delocalization of the production activity of the Arab associate (Euro 603 thousand);
- costs for relocation of the new warehouse of the associate K-Flex Guangzhou (Euro 574 thousand)
- costs for implementation of the new ERP system for the automation of production and inventory management at the associate K-Flex LLC and for the building expansion (Euro 825 thousand);

- non-recurring prior period expenses of Euro 12 thousand;
- brownfield expenses (Euro 590 thousand);
- costs of Euro 972 thousand incurred in connection with ongoing litigation with personnel no longer employed by the company;
- late payment penalties for Euro 450 thousand.

Overall, the Group's net income for the year ended 31 December 2015 amounted to Euro 11,121 thousand (compared to Euro 11,112 thousand in 2014).

Consolidated K-Flex balance sheet highlights

The Group's balance sheet reclassified by the management is presented below, with a comparison to the figures from the previous year (in thousands of Euro):

	31 December 2015	31 December 2014	Change
	(Euro thousands) (Audited)		
Capital stock, subscribed but not paid in	**0**	**0**	**0**
Intangible assets	31,523	29,477	2,046
Property, plant and equipment	185,822	169,844	15,978
Long-term investments	14,914	17,020	(2,106)
Of which, equity investments	*9,987*	*11,726*	*(1,739)*
Non-current assets	**232,259**	**216,341**	**15,918**
Inventories	70,914	62,492	8,422
Receivables	89,147	82,972	6,175
Of which, trade receivables	*55,910*	*48,967*	*6,943*
Other assets	1,300	1,253	47
Cash and cash equivalents	58,191	48,293	9,898
Current assets	**219,552**	**195,010**	**24,542**
Shareholders' equity	140,712	127,221	13,491
Provisions for risks and charges	7,360	7,675	(315)
Employee severance indemnities	1,052	1,404	(352)
Consolidated payables	126,821	130,139	(3,318)
Of which: bank borrowings	*16,950*	*18,832*	*(1,882)*
Of which: due to other lenders	*9,871*	*11,307*	*(1,436)*
Invested capital	**275,945**	**266,439**	**9,506**
Payables due within one year:	175,375	144,494	30,881
Of which: bank borrowings	*52,782*	*35,078*	*17,704*
Of which: due to other lenders	*5,066*	*4,671*	*395*
Of which: trade payables	*81,616*	*67,121*	*14,495*
Other payables and liabilities	491	418	73
Current liabilities	**175,866**	**144,912**	**30,954**

As at 31 December 2015, *Non-current assets* increased by Euro 15,918 thousand (+7%) compared to the previous year strictly related to the productive investments made in associated companies of the Group. In particular, the increase in Intangible assets and Property, plant and equipment was driven by the purchase of new machinery and the improvement of the production capacity of existing lines, as well as R&D activity over the course of 2015. With respect to the Long-term investments, the decrease was due to the consolidation of Sagi S.A. , which is no longer recognised as equity investment.

As at 31 December 2015, *Current assets* increased by Euro 24,542 thousand compared to 2014 due to the combined effect of expanded inventory, credit exposure, and liquidity of the Group.

The increase in inventories (+13%) was due to greater business volumes and the Group's procurement policies, which are aimed at offering more efficient service in filling customers' orders in a timely manner, meaning that increased levels of stock are available to guarantee delivery times.

The increase in receivables (+7%) was driven by higher sales reported in 2015.

The growth of the business in terms of revenues and operating margin together with the Group's cash management have lead to an increase in cash and cash equivalents (increase of Euro 9,898 thousand as at 31 December 2015 compared to 2014).

The increase in *Shareholders' Equity* was mainly impacted by a positive net income of Euro 11,121 thousand. As at 31 December 2015, *Consolidated payables* decreased from 2014 by Euro 3,318 thousand, mainly due to the reduction in Group bank borrowings.

The increase in *Short-term payables* as at 31 December 2015, compared to 2014, is related to the increase in short-term bank borrowings, short-term financial payables to others, and trade payables. The increase in short-term bank borrowings of the Group stems from the increased recourse made by the Group to credit advances in foreign countries, while the increase in trade payables is linked to an increase in production, which resulted in a greater need for purchase of raw materials.

K-Flex financial highlights

The Group's net borrowings at 31 December 2015 were as follows (in thousands of Euro):

	31 December 2015	31 December 2014	Change
	(Euro thousands) *(Audited)*		
Bank deposits	58,150	48,146	10,004
Cash and cash equivalents on	41	147	(106)
hand Own stock	0	0	0
Cash and bank and treasury stock	58,191	48,293	9,898
Current financial assets	0	0	0
Bonds and convertible bonds (due within 12 months)	0	0	0
Loans from shareholders (due within 12 months)	0	0	0
Bank borrowings (due within 12 months)	(52,782)	(35,078)	(17,704)
Payables to other lenders (due within 12 months)	(5,066)	(4,671)	(395)
Short-term borrowings	(57,848)	(39,749)	(18,099)
Net short-term borrowings	343	8,544	(8,201)
Bonds and convertible bonds (due beyond 12 months)	(100,000)	(100,000)	0
Loans from shareholders (due beyond 12 months)	0	0	0
Bank borrowings (due beyond 12 months)	(16,950)	(18,832)	1,882
Payables to other lenders (due beyond 12 months)	(9,871)	(11,307)	1,436
Net medium- and long-term borrowings	**(126,821)**	**(130,139)**	**3,318**
Net borrowings	**(126,478)**	**(121,595)**	**(4,883)**

As at 31 December 2015, the net borrowings of the Group increased by 4% compared to 2014.

TAXATION

The statements herein regarding Italian taxation summarise the principal Italian tax consequences of the purchase, the ownership, the redemption and the disposal of the Notes.

This is a general summary that does not apply to certain categories of investors and 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. It does not discuss every aspect of Italian taxation that may be relevant to a Noteholder if such Noteholder is subject to special circumstances or if such Noteholder is subject to special treatment under applicable law.

This summary also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Offering Memorandum. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

The statements herein regarding taxation are based on the laws in force in the Republic of Italy as of the date 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 a change occurs the information in this summary could become invalid.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Republic of Italy

Tax treatment of Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**") provides for the applicable regime with respect to, *inter alia*, the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes traded on regulated markets or multilateral trading facilities of EU Member States or EEA Member States granting for an adequate exchange of information with Italy and issued by Italian joint stock companies (*società per azioni*). For this purpose, bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) management of the Issuer.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito regime*); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are effectively connected, the interest will be included in the relevant income tax return and subject to the ordinary income tax whilst the *imposta sostitutiva* applies as a provisional tax.

An Italian resident individual Noteholder not engaged in an entrepreneurial activity who has opted for the so-called *risparmio gestito* is subject to a 26 per cent. annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest, premium and other income accrued on the Notes). The substitute tax is applied on behalf of the taxpayer by the managing authorised intermediary. For more information, see also "*Tax treatment of the Notes – Capital Gains*".

Where an Italian resident Noteholder is an individual entrepreneur holding Notes in connection with the entrepreneurial activity (please see specific reference below), a company or similar commercial entity, a commercial partnership, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must 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, also to the regional tax on productive activities ("**IRAP**")).

Under the current regime provided by Law Decree no. 351 of 25 September ("**Decree 351**"), as clarified by the Italian Revenues Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 ("**Consolidated Financial Act**") or pursuant to Article 14-bis of Law No. 86 of 25 January 1994 and to real estate SICAF's, are neither subject to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund or SICAF. The income of the real estate investment fund or the SICAF may be subject to tax in the hands of the unitholder, depending on the status and percentage of participation, when earned by the fund on a tax transparency basis, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAV (an investment company with variable capital) or a SICAF (an investment company with variable capital) established in Italy and either (i) the fund, SICAV or SICAF or (ii) their manager is subject to the supervision of a regulatory authority ("**Fund**"), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a substitute tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders ("**Collective Investment Fund Substitute Tax**"). The Collective Investment Fund Substitute Tax applies at the rate of 26%.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005 – "**Decree 252**") and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest, premium and other income accrued on the Notes). Italian pension funds benefit from a tax credit equal to 9 per cent. of the result of the relevant portfolio accrued at the end of the tax period, provided that the pension fund invests in certain medium long term financial assets to be identified according to Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, 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) intervene, 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 of the ownership of the relevant Notes or in a change of 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 any entity paying interest to a Noteholder.

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 Noteholder is either (a) the beneficial owner of the interest and is resident, for tax purposes, in a country which allows a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is established in a country which allows a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

Please note that countries which allow a satisfactory exchange of information are listed in Ministerial Decree of 4 September 1996, as recently amended according to Ministerail Decree of 9 August 2016.

In order to ensure gross payment, non-Italian resident Noteholders must be the recipient of the payments of interest, premium or other income and (a) promptly deposit, directly or indirectly, the Notes with (i) a resident bank or SIM, or a permanent establishment in Italy of a non-Italian resident bank; (ii) a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; (iii) a non-resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear and Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance; or (iv) a centralised managing company of financial instruments, authorised in accordance with Article 80 of the

Financial Services Act; (b) promptly file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended; and (c) the banks or brokers mentioned above receive all necessary information to identify the non resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of interest that such beneficial owner is entitled to receive. Failure of a non-Italian resident Noteholder to comply promptly with the mentioned procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on interest, premium and other income payments to a non-resident Noteholder.

The "*imposta sostitutiva*" will be applicable at the rate of 26% – that may be reduced under the applicable double taxation treaty, if any – to interest, premium and other income paid to Noteholders who are (i) resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or (ii) otherwise not eligible for the exemption from "*imposta sostitutiva*".

Capital gains

Italian resident Noteholders

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected), a commercial partnership, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains subject to certain conditions.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

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, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised from 1 January 2012 to 30 June 2014 may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses.

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 realised on each sale or redemption of the Notes (*risparmio amministrato regime*). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being promptly made in writing by the relevant Noteholder.

The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, 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, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Capital losses realised from 1 January 2012 to 30 June 2014 may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Depreciations of the managed assets accrued from 1 January 2012 to 30 June 2014 may be carried forward against increases of the managed assets accrued after 30 June 2014 for an overall amount of 76.92 per cent. of the depreciations. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian real estate fund or a real estate SICAF to which the provisions of Decree 351 as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund. The income of the real estate investment fund or the SICAF may be subject to tax in the hands of the unitholder, depending on the status and percentage of participation, when earned by the fund on a tax transparency basis, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of Decree 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Italian pension funds benefit from a tax credit equal to 9 per cent. of the result of the relevant portfolio accrued at the end of the tax period, provided that the pension fund invests in certain medium long term financial assets to be identified according to Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

Non-Italian resident Noteholders

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the Noteholder: (a) is the beneficial owner of the capital gain and is resident in a country which allows a satisfactory exchange of information with Italy; or (b) is aninternational entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is established in a country which allows a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

Please note that countries which allow a satisfactory exchange of information are listed in Ministerial Decree of 4 September 1996, as recently amended according to Ministerail Decree of 9 August 2016.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, he transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

(ii) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; transfers in favour of relatives (*parenti*) to the fourth degree or direct relatives-in-law (*affini in linea retta*), indirect relatives-in-law (*affini in linea collaterale*) within the third degree other than the relatives indicated above are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift; and

(iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied to the rate mentioned above on the value exceeding €1,500,000.

Transfer tax

Contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed € 14,000 for taxpayers other than individuals. This stamp duty is determined 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). Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

According to Article 19 of Decree No. 201 of 6 December 2011, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay in their own annual tax declaration a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. The Italian tax authority clarified (Circular No. 28/E of 2 July 2012) that financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries.

Tax monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad or are the actual owners, under the Italian money-laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through Italian financial intermediaries intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a € 15,000 threshold throughout the year.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%.

A number of non-EU countries including Switzerland have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State.

On 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the EU Savings Directive with effect from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States. The repeal of the EU Savings Directive is needed in order to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive No. 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive No. 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Cooperation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Saving Directive, although it does not impose withholding taxes.

As a consequence, under the EU Savings Directive, Austria is still required during financial year 2016 to operate a withholding system in relation to such payments.

Investors who are in any doubt as to their position should consult their professional advisers.

The Russian Federation

General

The following is an overview of certain Russian tax considerations relevant to the payments under the Guarantee by K-FLEX LLC.

The overview is based on the laws of the Russian Federation in effect on the dates of this Offering Memorandum, which are subject to potential change (possibly with retroactive effect). The overview does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of the Russian Federation, nor does it seek to address the availability of double tax treaty relief in respect of income payable on the Notes, or practical difficulties connected with claiming such double tax treaty relief.

Many aspects of the Russian tax laws are subject to significant uncertainty and lack of interpretive guidance, resulting in inconsistent interpretations and application thereof. Further, provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable changes (possibly with retroactive effect) and inconsistent interpretation than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates and relevant interpretations may constantly change. In practice, interpretation by different tax inspectorates may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated in the Russian Tax Code. Similarly, in the absence of binding precedents, court rulings on tax or other related matters taken by different Russian courts relating to the same or similar facts and circumstances may also be inconsistent or contradictory.

Prospective investors should consult their own tax advisers regarding the tax consequences of investing in the Notes that may arise in their own particular circumstances.

For the purposes of this overview, the term **Resident Noteholder** means:

i. a Noteholder which is a legal entity or an organisation and is:
   - a Russian legal entity;
   - a foreign legal entity or organisation recognised as a Russian tax resident based on Russian domestic law (if the Russian Federation is recognised as the place of management of such legal entity or organisation as determined in the Russian Tax Code unless otherwise envisaged by an applicable double tax treaty);
   - a foreign legal entity or organisation which holds and/or disposes of the Notes through its permanent establishment in the Russian Federation (a **Legal Entity Resident Noteholder**), and

ii. an Individual Noteholder and is actually present in Russia in total 183 calendar days or more in any period comprised of 12 consecutive months (an Individual Resident Noteholder). Presence in the Russian Federation is not considered interrupted if an individual departs for short periods (less than six months) from the Russian Federation for medical treatment or education purposes as well as for the employment or other duties related to the performance of works (services) on offshore hydrocarbon fields. The interpretation of this definition by the Ministry of Finance of the Russian Federation states that, for tax withholding purposes, an individual's tax residence status should be determined on the date of the income payment (based on the number of days in the

Russian Federation in the 12-month period preceding the date of the payment). An individual's final tax liability in the Russian Federation for any reporting calendar year should be determined based on the number of days spent in the Russian Federation in such calendar year.

For the purposes of this overview, the term **Non-Resident Noteholder** means any Noteholder (including any individual (the **Individual Non-Resident Noteholder**) and any legal entity or an organisation (the **Legal Entity Non-Resident Noteholder**)) that does not qualify as a Resident Noteholder.

Noteholders should seek professional advice on their tax status in Russia.

Russian withholding tax

Non-Resident Noteholders

Payments following enforcement of the Guarantee to be made by the Guarantor to Non-Resident Noteholders to the extent relating to interest on the Notes are likely to be characterised as Russian-source income. Accordingly, such payments should be subject to withholding tax at a rate of 20 per cent. in the event that a payment under the Guarantee is made to a Legal Entity Non-Resident Noteholder which is not organised under Russian law and which holds the Notes otherwise than through a permanent establishment in the Russian Federation, subject to the provisions outlined in Section "*Double Tax Treaty Relief*" below. In the event a payment under the Guarantee is made to an Individual Non Resident Noteholder, such payment should be subject to withholding tax at a rate of 30 per cent., subject to the provisions outlined in Section "*Double Tax Treaty Relief*" below.

The Issuer and the Guarantor cannot offer any assurance that: (i) double tax treaty advance relief (or a refund of any taxes withheld) will be available to a Non Resident Noteholder with respect to payments under the Guarantee or (ii) that such withholding tax would not be imposed upon the entire payment under the Guarantee, including with respect to the principal amount of the Notes. The imposition or the possibility of the imposition of this withholding tax could adversely affect the value of the Notes.

If the payments under the Guarantee are subject to any withholding taxes for any reason (as a result of which the Guarantor would be obligated to reduce the payments to be made under the Guarantee by the amount of such taxes to be withheld), the Guarantor is required to increase the payments as may be necessary so that the net amounts received in respect of such payments after such withholding or deduction will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction. It is currently unclear whether the provisions obliging the Guarantor to gross-up payments will be enforceable in the Russian Federation. There is a risk that the tax gross-up for withholding tax will not take place and that the full amount of the payments made by the Guarantor will be subject to reduction by the Russian income tax at a rate of 20 per cent. (or 30 per cent. in respect of Individual Non-Resident Noteholders).

Non-Resident Noteholders should consult their tax advisors with respect to the tax consequences of the receipt of payments under the Guarantee, including applicability of any available double tax treaty relief.

Resident Noteholders

A Resident Noteholder is subject to all applicable Russian taxes and responsible for complying with any documentation requirements that may be established by law or practice in respect of payments to be received by such Noteholder under the Guarantee.

Resident Noteholders should consult their tax advisers with respect to the tax consequences of the receipt of payments under the Guarantee.

Russian VAT

Payments under the Guarantee attributable to the principal amount or interest under the Notes and the additional tax gross-up amounts, should not be subject to Russian VAT. The payments under the Guarantee attributable to compensation of other expenses (if any) may be subject to Russian VAT.

Noteholders should consult their tax advisers with respect to the Russian VAT consequences of the receipt of payments under the Guarantee.

Double Tax Treaty Relief

The Russian Federation has concluded double tax treaties with a number of countries. These double tax treaties may contain provisions that allow for the reduction or elimination of Russian withholding taxes with respect to income or proceeds received by Non-Resident Noteholders from a source within Russia, including income or proceeds from the sale, redemption or other disposal of the Notes. To the extent double tax treaty relief is available and the Russian Tax Code requirements are met (i.e. the "beneficial ownership" concept and the concept of the "tax residency"), a Non-Resident Noteholder must comply with the information, documentation and reporting requirements which are then in force in the Russian Federation in order to obtain such relief.

If (i) Russian withholding tax on income derived from either Russian sources, or from a Russian tax resident, which is a legal entity by a Non-Resident Noteholder has been withheld at source or (ii) tax on such income has been paid by a Non-Resident Noteholder on the basis of a tax return, and such Non-Resident Noteholder is entitled to relief from tax on such income under an applicable double tax treaty allowing it not to pay the tax or to pay the tax at a reduced rate, a claim for a refund of such tax can be filed.

Obtaining a refund of Russian taxes withheld may be a time-consuming process and can involve considerable practical difficulties, including the possibility that a tax refund may be denied for various reasons.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES FOR NON-U.S. HOLDERS

The following is a discussion of certain U.S. federal income tax consequences of the ownership and disposition of Notes by Non-U.S. Holders (as defined below). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations as of the date of this document, changes to any of which, subsequent to the date hereof, may affect the tax consequences described herein, possibly with retroactive effect.

For purposes of the following discussion, you are a "Non-U.S. Holder" if you are a beneficial owner of a Note that is for United States federal income tax purposes:

- a non-resident alien individual;
- a foreign corporation; or
- a foreign estate or trust.

You are not a "Non-U.S. Holder" for purposes of this discussion, and it does not apply to you, if you are an individual who is present in the United States for 183 days or more in the taxable year of disposition, if you are a former citizen or former resident of the United States, or if your income with respect to a Note is effectively connected with the conduct of a trade or business in the United States (and, if an applicable treaty so requires, attributable to a permanent establishment in the United States). In these circumstances, you should consult your tax adviser regarding the U.S. federal income tax consequences of the ownership and disposition of a Note.

Payments on the Notes and sale or other taxable disposition of the Notes

Subject to the discussion below under "Backup Withholding and Information Reporting," you will have no U.S. federal income tax consequences with respect to payments of principal and interest (including original issue discount, if any) on the Notes or proceeds from the sale or other taxable disposition of the Notes and are not required to provide any forms or other documentation relating to U.S. tax.

Backup withholding and information reporting

Information returns may be required to be filed with the U.S. Internal Revenue Service in connection with interest payments on the Notes. Unless you comply with certification procedures to establish that you are not a United States person, information returns may also be filed with the U.S. Internal Revenue Service in connection with the proceeds from a sale or other disposition of the Notes. You may be subject to backup withholding on payments on your Notes or on the proceeds from a sale or other disposition of your Notes, unless you comply with certification procedures to establish that you are not a United States person or otherwise establish an exemption. You can establish that you are not a United States person if you certify on a properly executed U.S. Internal Revenue Service Form W-8BEN or W-8BEN-E (or applicable successor form), under penalties of perjury, that you are not a United States person. Backup withholding is not an additional tax, and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the U.S. Internal Revenue Service.

SUBSCRIPTION AND SALE

The Exchange Notes, representing €77,140,000 in principal amount of the Notes, are being issued in exchange for the 2020 Notes pursuant to an exchange offer launched by the Issuer on 23 September 2016 (the "**Exchange Offer**"). The Exchange Offer has been conducted with the assistance of the Sole Lead Manager as dealer manager.

References in the remainder of this section "*Subscription and Sale*" to the "**Notes**" are to the Additional Notes, representing the remaining €102,860,000 in principal amount of the Notes.

The Sole Lead Manager has, in a subscription agreement dated 5 October 2016 (the "**Subscription Agreement**") and made between the Issuer and Sole Lead Manager upon the terms and subject to the conditions contained therein, agreed to subscribe for the Notes. The Issuer has also agreed to pay certain combined commissions to the Sole Lead Manager as set out therein and reimburse the Sole Lead Manager for certain of their expenses incurred in connection with the management of the issue of the Notes. The Subscription Agreement provides that the obligations of the Sole Lead Manager are subject to certain conditions precedent, and the Subscription Agreement may be terminated in certain circumstance prior to payment for sale of the Notes being made to the Issuer.

United Kingdom

The Sole Lead Manager has further represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (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 Issuer; 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 the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Sole Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United

States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to any Notes be distributed in the Republic of Italy, except in accordance with any Italian securities, tax and other applicable laws and regulations.

The Sole Lead Manager has represented and agreed that no Notes may be offered, sold or delivered nor may copies of this Prospectus 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 pursuant to Article 100 of Decree No. 58 and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or
(b) in other circumstances which are exempted from the rules on public offerings, pursuant to Article 100 of Decree No. 58 and Article 34-ter, first paragraph of CONSOB Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must be:

(a) made by an investment firm, bank or financial intermediary licensed to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time);
(b) in compliance with Article 129 of the Legislative Decree No. 385 of 1 September 1993 (as amended from time to time), and the implementing guidelines of the Bank of Italy, as amended from time to time; and
(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

The Russian Federation

The Sole Lead Manager has represented, warranted and agreed that the Notes will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian Law.

General

The Sole Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Offering Memorandum or any other offering material relating to the Notes. Persons into whose hands this Offering Memorandum comes are required by the Issuer and the Sole Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Memorandum or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution (*determina*) of the chairman of the board of directors of the Issuer dated 3 October 2016 pursuant to the powers delegated to the chairman of the board of directors by a resolution of the board of directors of the Issuer passed on 22 September 2016.

Listing and Admission to Trading

2. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and trading on the Euro MTF Market which is the exchange-regulated market of the Luxembourg Stock Exchange. The Euro MTF Market is not a regulated market for the purposes of Directive 2004/39/EC.

Legal and arbitration proceedings

3. Save as disclosed in this Offering Memorandum on page 92, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Offering Memorandum, a significant effect on the financial position or profitability of the Issuer and the Group.

Significant/material change

4. Since 31 December 2015 there has been no material adverse change in the prospects of the Issuer or the Group. Since 31 December 2015 there has been no significant change in the financial or trading position of the Issuer or the Group.

Auditors

5. The Auditors of the Issuer are Audirevi S.r.l. ("**Audirevi**"), whose registered office is at Piazza Velasca, 5, 20122 Milan. Audirevi is an accounting firm registered with the register held by the Italian Minister of Justice (*Registro dei Revisori Contabili istituito presso il Ministero di Giustizia*) in accordance with Ministerial Decree 12 April 1995 at No. 145971. Global Auditor S.r.l. has audited the Issuer's accounts, prepared in accordance with Italian GAAP, without qualification, in accordance with applicable auditing principles for the financial years ended, respectively, 31 December 2015 and 31 December 2014. The auditors of the Issuer are independent accountants in respect of the Issuer.

Documents on display

6. Physical or electronic copies of the following documents (together, where appropriate, with English translations thereof) may be inspected during normal business hours at the offices of the Principal Paying Agent at One Canada Square, London E14 5AL, United Kingdom, and at the offices of The Bank of New York Mellon (Luxembourg) S.A., as Listing Agent (the "**Listing**

Agent") at Vertigo Building – Polaris 2-4 rue Eugène Ruppert L-2453 Luxembourg, for 12 months from the date of this Offering Memorandum:

(a) the by-laws (*statuto*) of the Issuer;

(b) this Offering Memorandum;

(c) the Paying Agency Agreement and the Trust Deed; and

(d) the financial statements.

In addition, the Issuer regularly publishes its full year financial statements and the documents under letters (a) and (b) above on its website at www.kflex.com/investors.

Clearing systems

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The ISIN is XS1498549325 and the common code is 149854932. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

Material contracts

8. Save as disclosed in this Offering Memorandum, the Issuer and the companies forming part of the Group have not entered into any contracts in the last two years outside the ordinary course of their business which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to holders of the Notes.

Potential conflicts of interest

9. The Sole Lead Manager and its affiliates have engaged, and/or may in the future engage, in investment banking with, and may perform services for the Issuer and its affiliates in the ordinary course of business.

10. In addition, in the ordinary course of their business activities, the Sole Lead Manager and its 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 securities and/or instruments of the Issuer or the issuer's affiliates or any entity related to the Notes.

The Sole Lead Manager and its 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. For the avoidance of doubt, the term "affiliates" shall include parent companies.

Yield

11. On the basis of the issue price of the Notes of 100.00 per cent. of their principal amount, the gross real yield of the Notes is 4.25 per cent. on an annual basis.

Legend concerning US persons

12. The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

Post-issuance information

13. The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

THE ISSUER

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United Kingdom

PRINCIPAL PAYING AGENT

The Bank of New York Mellon
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United Kingdom

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