

TESMEC S.P.A.
joint-stock company
registered office in Piazza Sant' Ambrogio 16, Milan – 20123
Share capital Euro 10,708,400.00
Tax and VAT code and Milan Register of Companies no. 10227100152
R.E.A. MI-1360673

DOCUMENT FOR ADMISSION

to trading of the financial instruments called
“TESMEC S.p.A. 6% 2014-2021”
on the Professional Segment (ExtraMOT PRO) of the ExtraMOT Market
managed by Borsa Italiana S.p.A.

The bond loan is issued following the central management system with Monte Titoli
S.p.A. for uncertificated securities pursuant to
Italian Legislative Decree 58 of 24 February 1998
as amended.

CONSOB AND BORSA ITALIANA HAVE NOT REVIEWED OR
APPROVED THE CONTENTS OF THIS ADMISSION DOCUMENT.

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1. DEFINITIONS

The table below shows a list of definitions and terms used in the Admission Document. These definitions and terms, unless otherwise specified, have the meaning shown below, it being understood that the same meaning will be assigned in the singular and in the plural.

“**Amortisation/depreciations**” is the sum of the value of depreciations of tangible assets and amortisation of intangible assets, calculated in accordance with the IFRS (International Financial Reporting Standards), as devised by the IASB (International Accounting Standards Board).

“**Article**” is an article of this Loan Regulation.

“**Bondholders' Meeting**” has the meaning ascribed to such term in Article 20.

“**Assets**” means, with reference to a company, the tangible and intangible assets held by the company itself, including receivables, shares, equity investments and financial instruments.

“**Borsa Italiana**” means Borsa Italiana S.p.A., with registered office in Milan, Piazza degli Affari n.6.

“**Cerved**” means Cerved Group S.p.A., with registered office in Via S. Vigilio n.1, 20142 - Milan, tax code and Milan Register of Companies no. 08076240962, REA no. MI-2001719.

“**Early Redemption Notice**” has the meaning ascribed to such term in Article 9.

“**Step-Up Notice**” has the meaning ascribed to such term in Article 12.

“**Calculation date**” is the date on which the Financial Parameters are calculated and verified; it being understood that, with reference to each calendar year, the Calculation Date must fall in the period included between (i) the Payment Date falling in such calendar year and (ii) the date falling 30 days after the publication of the annual financial statements approved by the Shareholders' meeting of the Issuer; it being understood that, in relation to the 2014 calendar year, the Calculation Date must fall in the period included between (i) the Issue Date and (ii) the date falling 30 days after the publication of the annual financial statements approved by the Shareholders' meeting of the Issuer with reference to the 2013 financial statements.

“**Issue Date**” has the meaning ascribed to such term in Article 5.

“**Payment Date**” has the meaning ascribed to such term in Article 7.

“**Early Redemption Date**” is the early redemption date of the Loan that falls the fifteenth Business Day following the Request for Early Redemption or the Early Redemption Notice (as the case may be), it being understood that the Bondholders may provide for a later date in the Request for Early Redemption.

“**Maturity date**” has the meaning ascribed to such term in Article 6.

“**Issue resolution**” has the meaning ascribed to such term in Article 16.

“**EBITDA**” is, in relation to the Group, the operating income gross of amortisation/depreciations on the basis of the consolidated income statement of the Group, prepared in accordance with the IFRS (International Financial Reporting Standards), as devised by the IASB (International Accounting Standards Board).

“**Issuer**” is Tesmec S.p.A., with registered office in Piazza Sant' Ambrogio 16, Milan - 20123, Milan Register of Companies, Tax Code and VAT no. 10227100152, fully paid up share capital of Euro 10,708,400.00.

“**Interest-rate Change Event**” means, in relation to a Calculation Date, the excess of any of the Financial Parameters determined by excess deviation greater than 15% (fifteen per cent) the value indicated in Article 12 (*Commitments of the Issuer*), paragraph (vi), it being understood that, if the related deviation persists, this persistence does not determine an additional change in the Interest Rate.

“**Significant Detrimental Event**” is any event whose direct or indirect consequences can affect negatively the financial conditions, the assets or the activity of the Issuer in such a way as to impair the ability of the Issuer to fulfil its obligations deriving from the Bond Loan on a regular basis.

“**Material Event**” has the meaning ascribed to such term in Article 9.

“**FI.IND S.p.A.**” is the company Fi.Ind. S.p.A. with registered office in Piazza Sant’Ambrogio 16, Milan tax code 05965220014 and VAT number 11362420157, which holds an equity investment accounting for 12.54% of the share capital of the Issuer.

“**Business Day**” is any day on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET2) is operative for the Euro payment.

“**Group**” is the Issuer and the companies controlled by it pursuant to Article 2359 of the Italian Civil Code and of Article 93 of the Consolidated Law on Finance (T.U.F.).

“**Interests**” has the meaning ascribed to such term in Article 7.

“**Professional investors**” has the meaning ascribed to such term in Article 3.

“**Bankruptcy Law**” has the meaning ascribed to such term in Article 9.

“**ExtraMOT Market**” is the multilateral trading system of the bonds organised and managed by Borsa Italiana called “Extramot”.

“**Monte Titoli**” means Monte Titoli S.p.A., with registered office in Milan, Piazza degli Affari n. 6.

“**Bonds**” has the meaning ascribed to such term in Article 2.

“**Bondholders**” has the meaning ascribed to such term in Article 2.

“**Permitted Transactions**” means, in relation to the Issuer or other company of the Group (as the case may be), the following transactions:

- (i) extraordinary corporate transactions involving the acquisition of equity investments in the share capital of the Issuer or of another company of the Group (as the case may be) by (a) public entities qualifying as state governments or (b) private entities whose control is exercised by the Italian State or by its general management;
- (ii) acquisitions in which each of the following parameters is less than 25% (twenty five per cent):
 - a) value of the transaction (i.e. the amount paid to the counterparty in case of cash components, or the fair value determined on the date of the transaction in accordance with the international accounting standards in the case of components consisting of financial instruments) / capitalisation of the Issuer (recorded at the close of the last opening trade day included in the reporting period of the last financial report published);
 - b) total assets of the company (or business or business branch) acquired / total consolidated assets of the Issuer; it being understood that for the purposes of the value of the numerator, we will refer to what is provided on the subject in Annexe 3B of the Issuers' Regulation;
 - c) comprehensive income (IAS 1) before tax and results from discontinued operations of the company (or business or business branch) acquired / consolidated comprehensive income (IAS 1) before tax and results from discontinued operations of the Issuer;
 - d) total shareholders' equity of the company (or business or business branch) acquired / total consolidated shareholders' equity of the Issuer;
 - e) total liabilities of the entity (or business or business branch) acquired / total consolidated assets of the Issuer;
it being understood that, where the acquisition covers a single asset, the only parameter that applies is the one identified in point a) above;
- (iii) merger or demerger transactions in which each of the following parameters is less than 25% (twenty five per cent):

- a) total assets of the merged company or of the assets to be demerged / total consolidated assets of the Issuer;
 - b) comprehensive income (IAS 1) before tax and results from discontinued operations of the merged company or of the assets to be demerged / consolidated comprehensive income (IAS 1) before tax and results from discontinued operations of the Issuer;
 - c) total shareholders' equity of the merged company or of the business branch to be demerged / total consolidated shareholders' equity of the Issuer;
 - d) total liabilities of the merged company or of the liabilities to be demerged / total consolidated assets of the Issuer;
- (iv) the following sales, transfer and disposal transactions:
- a) of Assets identified as “fleet assets” in the explanatory notes to the financial statements of the Issuer;
 - b) of Assets in exchange for Assets whose value is at least equal to the Assets subject matter of the transaction;
 - c) of obsolete Assets or Assets no longer required for carrying on the business;
 - d) of Assets aimed at creating Permitted Constraints;
 - e) of trade receivables (both without recourse and with recourse);
 - f) sale transactions in which each of the following parameters is less than 25% (twenty five per cent):
 - 1) value of the transaction (i.e. the amount paid by the counterparty in case of cash components, or the fair value determined on the date of the transaction in accordance with the international accounting standards in the case of components consisting of financial instruments) / capitalisation of the Issuer (recorded at the close of the last opening trade day included in the reporting period of the last financial report published);
 - 2) total assets of the company (or business or business branch) sold / total consolidated assets of the Issuer; it being understood that for the purposes of the value of the numerator, we will refer to what is provided on the subject in Annexe 3B of the Issuers' Regulation;
 - 3) comprehensive income (IAS 1) before tax and results from discontinued operations of the company (or business or business branch) sold / consolidated comprehensive income (IAS 1) before tax and results from discontinued operations of the Issuer;
 - 4) total shareholders' equity of the company (or business or business branch) sold / total consolidated shareholders' equity of the Issuer; it being understood that, where the sale transaction, assignment, transfer covers a single asset, the only parameter that applies is the one identified in point 1) above; or
 - g) in any case, in addition to the foregoing transactions, of Assets whose net value recorded in the financial statements is not greater than Euro 6,000,000.00 (six million/00),

it being understood that, if the Issuer or another company of the Group concludes with the same counterparty or with subjects controlling or controlled by it or in respect of which it has already evidences of the connexion with the said counterparty, several homogeneous transactions or transactions carried out in performance of a business plan that, albeit not exceeding individually the parameters indicated in the previous paragraphs (ii), (iii), (iv)(f), when considered as a whole exceed the said parameters, the transactions in question will be considered Prohibited Transactions.

“**Prohibited Transactions**” has the meaning ascribed to such term in Article 12.

“**Financial Parameters**” has the meaning ascribed to such term in Article 12.

“**Shareholders' Equity**” is the sum of the following items: “*Share capital*”, “*Legal reserve*”, “*Share premium reserve*”, “*Statutory reserve*”, “*Translation reserve*”, “*Other Reserves*” and the “*Profit for the period*” on the basis of the consolidated statement of financial position of the Group, prepared in accordance with the IFRS (International Financial Reporting Standards), as devised by the IASB (International Accounting Standards Board).

“**Net Financial Indebtedness**” is, in relation to the Group and on the basis of the results of the consolidated financial statements, the overall sum of cash and cash equivalents, current financial assets (including available-for-sale securities), current and non-current financial liabilities, fair value of hedging instruments and other non-current financial assets, in compliance with what is established in the CESR 05-054/b Recommendation of 10 February 2005 “*Recommendations for the uniform implementation of the EC Regulation on prospectuses*”. In this regard, the calculation of the Net financial indebtedness will not include (a) “notional” financial payables that will arise – in accordance with the provisions of the IFRS (International Financial Reporting Standards), also considering the IAS 17 international accounting standards – from the recording of a lease contract between the Issuer and Dream Immobiliare S.r.l. signed on 26 January 2011 and relating accessory agreements and (b) as a result of the possible purchase of the buildings set forth in the lease contract signed on 26 January 2011 between the Issuer and Dream Immobiliare S.r.l. and relating accessory agreements, an amount of financial payables equal to the carrying value of the related buildings.

“**Bond Loan**” has the meaning ascribed to such term in Article 2.

“**First Significant Calculation Date**” has the meaning ascribed to such term in Article 7.

“**Net Debt/EBITDA ratio**” is the Net Financial Indebtedness to EBITDA ratio.

“**Net Debt/SE ratio**” is the Net Financial Indebtedness to Shareholders' Equity ratio.

“**Common Representative**” has the meaning ascribed to such term in Article 20.

“**Rating**” is the public rating solicited assigned to the Issuer by Cerved on 24 February 2014 pursuant to the EC Regulation 1060/2009 (as subsequently amended and supplemented).

“**Regulation of the ExtraMOT Market**” means the rules of management and operation of the ExtraMOT Market issued by Borsa Italiana, effective as of 8 June 2009 (as amended and supplemented each time).

“**Loan Regulation**” is this regulation of the Bond Loan.

“**Issuers' Regulation**” is the regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended, concerning the rules for issuers.

“**Relating Calculation date**” has the meaning ascribed to such term in Article 7.

“**Request for Early Redemption**” has the meaning ascribed to such term in Article 9.

“**Operating Income**” is the difference between the total amount of the book entry “*Revenues from sales and other services*” and the total amount of the book entry “*Operating costs*”, on the basis of the consolidated income statement of the Group, prepared in accordance with the IFRS (International Accounting Standards), as devised by the IASB (International Accounting Standards Board).

“**Second Significant Calculation Date**” has the meaning ascribed to such term in Article 7.

“**ExtraMOT PRO segment**” is the ExtraMOT Market segment where the financial instruments are traded (including bonds) and accessible only to professional investors (as defined in the Regulation of the ExtraMOT Market).

“**Sponsor**” means the following subjects that on the Issue Date participate in the share capital of the FL.IND S.p.A. and TTC S.r.l.:

- (i) TTC S.r.l., holding 57.1% of the share capital of FL.IND S.p.A. on the Issue Date; and
- (ii) Ambrogio Caccia Dominioni, Ellida Pittaluga, Carlo Caccia Dominioni, Caterina Caccia Dominioni and Lucia Caccia Dominioni, each holding 19% of the share capital of TTC S.r.l. on the Issue Date.

“**Interest rate**” has the meaning ascribed to such term in Article 7.

“**Initial Interest Rate**” has the meaning ascribed to such term in Article 7.

“**TTC S.r.l.**” the company TTC S.r.l. with registered office in Via Gustavo Fara 35, Milan tax code and VAT number 05642790967, which holds an equity investment accounting for 30.30% of the share capital of the Issuer.

“**Consolidated Law on Finance (T.U.F.)**” is the Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented.

“**Nominal value**” has the meaning ascribed to such term in Article 2.

“**Permitted Constraints**” means:

- a) the Constraints as a guarantee for subsidised financing (with exclusive reference to the economic conditions applied) granted by public bodies, multilateral development institutions, development agencies, international organisations and banks or credit institutions acting as representatives of such institutions or organisations, provided that such loans are granted as part of the ordinary activities of the related company resulting from the articles of association in force;
- b) the Constraints on Assets to finance their acquisition, provided that the value of the Assets encumbered by the Constraints does not exceed the value of the Assets acquired;
- c) each Constraint granted directly by the law, with the exception of those set up as a consequence of a violation of mandatory provisions;
- d) the Constraints set up by third parties as “advance bonds”, “performance bonds” and “guarantee bonds” in relation to contracts signed by the Issuer or by other companies of the Group as part of the ordinary activities of the related company;
- e) any kind of guarantee and counter-guarantee (including, by way of example, “advance bonds”, “performance bonds” and “guarantee bonds”) granted by a company of the Group for the bonds of another company of the Group;
- f) the Constraints set up on Assets subject matter of the related transaction, to the extent that the latter is a Permitted Transaction, including, by way of example, the Constraints existing on the assets subject matter of the transaction before or at the time of the related transaction;
- g) the Constraints set up on Moveable and/or real estate assets;
- h) the Constraints set up as part of trade finance transactions;
- i) the Constraints set up as part of current account overdraft facilities, advances on invoices, credit lines and similar transactions;
- j) selling agreements or other conditional sale or the like;
- k) netting agreements as part of the ordinary business;
- l) in any case, in addition to the foregoing transactions, Constraints for a value not exceeding 1% (one per cent) the shareholders’ equity of the Issuer.

“**Constraint**” means any mortgage, pledge, encumbrance or restriction on properties or lien on Assets as well as any bank guarantee or other personal guarantee, taken out or granted as a guarantee for the obligations of the Issuer and/or third parties (including any kind of asset allocation and segregation).

2. TYPE OF DOCUMENT

This Admission Document is prepared in condensed form in compliance with the Regulation of the ExtraMOT Market, assuming that the shares of the Issuer are listed on the STAR segment of the Electronic Stock Market managed by Borsa Italiana S.p.A.

The information related to the Issuer, its organisational structure, major shareholders and information concerning assets and liabilities, the financial situation and the profits and losses of the Issuer can be found in the Investors section accessible through the website of the Issuer (www.tesmec.com).

3. RISK FACTORS

The transaction described in the Admission Document presents the typical risk elements of an investment in bonds.

In order to make a correct appreciation of the investment, the investors are asked to evaluate the specific risk factors related to the Issuer, to the companies of the TESMEC Group, and to the business sector in which they operate as well as to the risk factors related to the offered financial instruments.

The risk factors described below must be read together with the other information contained in the Admission Document and the Annual Report 2013 containing the Consolidated Financial Statements of the Group as at 31 December 2013, the Draft Financial Statements of the Company for the year as at 31 December 2013 made public on March 28, 2014.

3.1 Risk factors related to the Issuer and to the TESMEC Group

3.1.1 Issuer risk

In general, the issued bonds are subject to the issuer risk, represented by the possibility that the issuer may not be able to pay the interests or repay the principal at maturity.

3.1.2 Risks related to activities carried out abroad

The TESMEC Group carries out its production in 5 industrial factories (including 4 located in Italy and 1 located in the United States) and carries out its commercial activity in approximately 135 Countries in the world. More precisely, the TESMEC Group markets its products in the countries of the Persian Gulf, Russia, India, China and other developing countries.

A significant portion of the revenues of the TESMEC Group is generated by activities in foreign countries, including developing countries.

In the 2011 and 2012 financial years, net revenues generated out of Italy were 96% (of which 22% in Europe, 24% in the Middle East, 5% in Africa, 13% in North and Central America and 30% in the BRICs and in the rest of the world), 94% (of which 21% in Europe, 20% in the Middle East, 6% in Africa, 24% in North and Central America and 24% in the BRICs and in the rest of the world), respectively. As at 31 December 2013, net revenues generated out of Italy were 94% (of which 15% in Europe, 20% in the Middle East, 9% in Africa, 26% in North and Central America and 24% in the BRICs and in the rest of the world).

The importance of production and commercial activities at international level as well as the strategy pursued by the TESMEC Group aimed at a further expansion abroad may expose the Group to macroeconomic risks deriving, by way of example, from changes in the local regulatory framework, in the political, social and economic situation, from extraordinary events such as wars, civil unrest and terrorism in countries where the TESMEC Group is or could be present in the future. In particular, the TESMEC Group may be exposed to the risk of changes in the reference legislation applicable to its products or in loan and tax regulations, with negative consequences on the economic and financial situation of the Issuer and of the TESMEC Group.

In 2009, the crisis in the construction and financial sectors was more evident in the market of North and Central America, where sales were particularly affected by the increasing difficulties encountered by the customers in obtaining financial instruments (letters of credit and short-term loans) with which the machines are usually paid. Over the last four quarters, the construction and financial sector at a global level and in the market of North and Central America showed signs of recovery. However, we cannot rule out that in the future another crisis of the construction and financial sector at a global level and in particular in North and Central America may have a negative effect on the economic and financial situation of the TESMEC Group and of TESMEC USA.

Moreover, the laws in force in the United States prohibit any company working in their country to ship or transport any product to an embargoed country without prior authorisation. On the date of the Admission Document, the embargoed countries are Cuba, North Korea, Sudan, Iran and Syria as well as to a lesser extent Iraq and Libya. Therefore, TESMEC USA does not currently work with these countries.

3.1.3 **Risks related to the implementation of the strategy of the TESMEC Group**

The ability of the TESMEC Group to increase its revenues and its profitability depends, among other things, on the success in implementing its strategy. The strategy of the TESMEC Group contemplates: i) the strengthening of its leadership position in the area of the traditional Trencher and Stringing equipment segments ii) technological innovation and extension of the product range and technologies in the Railway and Grid Efficiency segments, in particular; iii) the enhancement of the phases of post-sales services; iv) the development of integrated supply services; v) the continuation of the geographical expansion; vi) the increase in the use of the TESMEC Group systems in replacement of traditional technologies; vii) development of service activities; viii) increased production capacity and flexibility

If the TESMEC Group (i) is unable to effectively implement its strategy in the expected timescales, (ii) is unable to anticipate or promptly meet the requests of its customers and of the market in relation to products, services or technologies, (iii) is unable to effectively increase the production capacity and flexibility, or (iv) is unable to find sources of funds at favourable market conditions to support the strategy, negative effects may occur on the activity and on the economic and financial position of the Issuer and of the TESMEC Group.

3.1.4 **Risks related to the terms and conditions of net financial indebtedness and to bank and non-bank credit lines of the TESMEC Group**

The Issuer obtains its financial resources by means of the traditional banking channel and with ordinary instruments such as medium to long-term loan (including mortgages) and short-term bank credit lines and leasing.

As at 31 December 2013, the overall net financial indebtedness of the TESMEC Group was approximately Euro 68.8 million. The Net financial indebtedness as at 31 December 2013 would total approximately Euro 48.9 million without considering the effects of IAS 17 for the lease contract of the premises of Grassobbio.

The total credit lines granted to the Issuer as at 31 December 2013 amounted to approximately Euro 103.8 million, used by approximately 67%.

If the banks that put call loans at the disposal of the issuer decide to withdraw these credit lines, this could have a potential negative effect on the economic and financial situation of the Issuer.

On the date of this Admission Document, the TESMEC Group has the following significant medium to long-term loans.

Banca Nazionale del Lavoro loan

On 7 June 2010, the Company took out with Banca Nazionale del Lavoro S.p.A. a loan totalling Euro 6,000 thousand and maturity date 31 May 2018, with a 2-year pre-amortisation and a floating interest rate equivalent to 6-month Euribor rate + spread of 2.25%. On the date of this Admission Document, the residual debt of this loan amounts to Euro 4,153,846.

BNL-BNP Paribas Group pool loan

On 4 March 2011, the Company took out a pool loan contract with BNL - BNP Paribas Group for an original value of Euro 21,000 thousand, of which:

i) Euro 8,000 thousand drawn down on 11 March 2011 with maturity 4 March 2016 at a floating interest rate equivalent to 6-month Euribor rate + spread of 2% (+/- 0.25 forming the margin ratchet tied to financial covenants Net Debt / EBITDA);

- ii) Euro 4,000 thousand on 4 and 5 August 2011;
- iii) Euro 2,000 thousand on 9 November 2011;
- iv) Euro 2,000 thousand on 9 February 2012;
- v) Euro 2,000 thousand on 31 May 2012;
- vi) Euro 3,000 thousand on 23 October 2012.

The amounts drawn down after 11 March 2011 were disbursed at a floating interest rate equivalent to 6-month Euribor rate + spread of 2% (+/- 0.25 forming the margin ratchet tied to financial covenants Net Debt / EBITDA) with maturity on 4 March 2013. For these amounts, the option to extend repayment in 54 months (in 9 deferred half-yearly instalments) at a 6-month Euribor rate + spread of 1.90% (+/- 0.25 forming the margin ratchet tied to financial covenants Net Debt / EBITDA) with last instalment expiring on 4 September 2017 was exercised. On the date of this Admission Document, the residual debt amounts to Euro 14,562,022.

The pool loan contract with BNL - BNP Paribas Group contains financial covenant clauses. In particular, they require that certain parameters - Net financial indebtedness / Ebitda and Net financial indebtedness/Shareholders' equity - calculated on the basis of the financial statements of the TESMEC Group, have to be met; they are verified on a semi-annual and annual basis. Based on the results of the financial statements of the Company and of the TESMEC Group as at 31 December 2013, all expected financial *covenants* have been observed. With reference to medium to long-term loans, some of these contracts also contemplate *cross default* clauses and prior authorisation requirements for organisational changes.

If the Issuer defaults on other loan contracts or if it does not comply with the aforesaid financial covenants or if it makes such changes without authorisation, these circumstances could result in the termination of the mentioned medium to long-term loan contracts. If the related banks decide to make use of these termination clauses, the Issuer may have to redeem these loans on a date earlier than the one contractually agreed, with potential negative effects on the economic and financial situation.

It is also understood that there is no guarantee that in the future the Issuer may negotiate and obtain additional loans necessary to develop its activity or to refinance those maturing. Also any worsening in terms of economic conditions of new loans and the possible future reduction in the borrowing capacity with regard to the banking system could have negative effects on the economic and financial situation of the Issuer and/or limit its capacity for growth.

Moreover, the Issuer has in place with the affiliated company Dream Immobiliare S.r.l. a lease contract covering the industrial factory and the operating premises of the TESMEC Group located in Grassobbio (BG) against an annual consideration of Euro 1,992,015.00 plus VAT and duration until 31 January 2025, renewable for periods of 7 years to 7 years (the "**Lease Contract**"). Dream Immobiliare S.r.l. obtained the availability of the buildings subject matter of the Lease Contract pursuant to a leasing agreement with Unicredit Leasing S.p.A. (the "**Leasing Agreement**"). With regard to the previous contractual relations, the Issuer has also signed with Dream Immobiliare S.r.l. an option contract valid until 31 December 2016 that assigns the Issuer the right to (i) take over the Leasing Agreement or, if possible, (ii) acquire the Leasing Agreement of Dream Immobiliare S.r.l. for an initial consideration of Euro 2,700,000.00 already paid by the Issuer and that will be increased by an amount varying according to the period within which the Issuer will exercise the option.

Even if the operation with Dream Immobiliare S.r.l. does not legally qualify as an acquisition, in view of the fact that the Lease contract is covered by the cases in IAS 17, it was recorded as a financial lease in the financial statements with effect from the 2011 financial year. Therefore, this implied recognition of the value of the industrial complex - for the part occupied by the Company and subject of the said Lease contract - in the consolidated and

separate financial statements of the Issuer based on the present value of future payments due, with corresponding entry of the related discounted loan. On the date of this Admission Document, the residual notional debt amounts to Euro 19,553,076 thousand.

3.1.5 **Risks related to the level of indebtedness of the TESMEC Group and relevant cost**

Debt and equity ratio

The ratios forming the sources as at 31 December 2011, as at 31 December 2012 and as at 31 December 2013, also including the effects of the recording of the Lease Contract according to the IAS 17 accounting standard, are shown below. The ratios are determined on the basis of the data deriving from the consolidated financial statements for the year ended 31 December 2011, for the year ended 31 December 2012 and for the year ended 31 December 2013, respectively:

	Financial year ended 31 December 2011	Financial year ended 31 December 2012	Financial year ended 31 December 2013
Short-term ratio – Current financial indebtedness/Total net financial indebtedness	15%	13%	21%
Long-term ratio – Non-current financial indebtedness/Total financial indebtedness	85%	87%	79%
Ratio - Net financial indebtedness / Shareholders' Equity	1.5 times	1.3 times	1.6 times
Ratio – Net financial indebtedness / Total sources of funding	60%	57%	62%

As shown in the table below, the TESMEC Group is mainly financed with borrowed capital, as shown also by the financial indebtedness/shareholders' equity ratio.

Ratio between income results and financial expenses

Some income ratios showing the effect of financial expenses on the results of the TESMEC Group related to the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013, also including the effects of the recording of the Lease Contract according to the IAS 17 accounting standard, are shown below. The cost of the debt is represented in the following table:

<i>Euro in thousands</i>	Financial year ended 31 December 2011	Financial year ended 31 December 2012*	Financial year ended 31 December 2013
Revenues from sales and services	111,779	119,834	113,549
Financial expenses	4,781	7,181	6,643
EBITDA	18,975	24,535	19,474
Operating income	13,188	17,829	12,495

Effect of financial expenses on revenues from sales and services	4%	6%	6%
Effect of financial expenses on EBITDA (*)	25%	29%	34%
Effect of financial expenses on the Operating income	36%	40%	53%

* For comparative purposes, it should be noted that some values of the consolidated financial statements for 2012 have been revised in accordance with the transition rules, the amendment to IAS 19 and therefore do not correspond to those set out in the 2012.

3.1.6 **Risks related to fluctuations in exchange rates**

The currency of the consolidated financial statements of the TESMEC Group is the Euro.

Moreover, each of the foreign companies included in the scope of consolidation -TESMEC USA Inc. (67% owned), OOO Tesmec Rus (100% owned), Tesmec Balkani (100% owned), Tesmec Peninsula WLL (held by 49%), Condux Tesmec Inc (held by 50%) and Tesmec SA (PTY) Ltd (100% owned) - prepare their financial statements in local currencies, which must be converted in Euro when consolidated. Therefore, there are risks related to the exchange rate used when consolidated.

Moreover, the TESMEC Group enters and will continue to enter into transactions in currencies other than the Euro, mostly in US dollars, and is therefore exposed to the risk deriving from fluctuations in exchange rates among different currencies.

The depreciation of the US Dollar against the Euro could have negative effects on operating margins of the TESMEC Group, which could, in turn, have a negative impact on the activities and on the economic results of the TESMEC Group, since the consolidated financial statements are expressed in Euro. The trend in exchange rates could affect, in the terms outlined, the competitiveness of the TESMEC Group in the face of competition. However, the Issuer believes that the activity of the TESMEC Group carried out in the international arena is not significantly conditioned by fluctuations of such currencies due to the reasons shown below.

In general, the TESMEC Group does not adopt specific policies to cover fluctuations in exchange rates with forward sale instruments and adjustment of the foreign currency price list. In fact, the TESMEC Group pursues a strategy according to which currency purchases (Euro or US Dollar) are counter-balanced by sales in the same currency (the so-called natural hedging), which, in the opinion of the management, mitigates the risk arising from fluctuations in exchange rates. In some specific cases such as: i) selling Trenchers produced in Italy in the Middle-East; ii) selling Stringing machines produced in Italy in the USA and iii) selling Railway machines and iv) selling Grid Efficiency solutions in countries using a currency other than the Euro – where purchases are in Euro and sales in US dollars or other currencies – the TESMEC Group typically uses forward sale instruments for fixing the exchange rate at the moment of the order. In addition to the hedging instruments used, in these two cases, the TESMEC Group inserted in the contracts clauses that adjust the price lists if fluctuations in exchange-rates exceed certain thresholds established by contract.

Despite the adoption of the above strategies aimed at reducing the risks arising from fluctuation of exchange rates, the Issuer cannot exclude that future changes thereof may affect the results of the Issuer and of the TESMEC Group. Fluctuations in exchange rates could also significantly affect the comparability of the results of each financial period.

3.1.7 **Risks related to breach of contracts with regard to delivery time and product quality and enforcement of guarantees given by the TESMEC Group**

Some of the contracts entered into by the TESMEC Group require for the products to be completed and delivered on time and in compliance with the specifications indicated by the customers.

In particular, in the Stringing equipment segment some supply contracts signed by the TESMEC Group contemplate penalties to the charge of the companies of the TESMEC Group if the date of delivery is not observed. The application of these penalties, the duty to pay any damage, as well as the impact of any delay in the delivery may affect negatively the activity and the economic and financial situation of the Issuer and of the TESMEC Group. The amount of the penalties is contractually limited to a maximum percentage of the amount of the contract.

Moreover, the TESMEC Group, generally in the Stringing equipment and Railway segments, in case of participation in invitations to tender, gives its customers, as established by international practice, bank guarantees on the performance of the product during the period of guarantee (the so-called *performance bond*).

Over the last two years, the companies of the TESMEC Group were not involved in proceedings or transactions related to claims for damages caused by breach of contracts with regard to delivery time and product quality that had a significant impact on the activity or economic and financial situation of the TESMEC Group, and none of the guarantees given by the TESMEC Group was enforced, nor penalties of a significant amount were applied in relation to the failure to comply with the delivery date. However, if in the future the TESMEC Group fails to precisely and promptly fulfil always such commitments, this could have negative effects on the economic and financial situation of the Issuer.

3.1.8 **Risks related to transactions with suppliers**

The TESMEC Group, while maintaining internally the management and organisation of the most important phases of its business model, uses suppliers for purchasing semi-finished products and finished components required for manufacturing its products.

In particular, with reference to 31 December 2013, the first 5 suppliers of raw materials, semi-finished products and finished products supplied a portion accounting for 18% of total costs for the purchase of raw materials and consumables.

The TESMEC Group adopts a supply policy aimed at diversifying the suppliers of components that are characterised by purchased volumes or by high added value. However, the termination for any reason of these supply relations could imply for the TESMEC Group supply problems of such raw materials, semi-finished and finished goods as for quantity and time suitable for ensuring the continuity of production, or the provisioning from other suppliers could be carried out against a major economic outlay.

For the supply of some components, the TESMEC Group uses high-end suppliers for which it is not a strategic customer and, therefore, purchases the products from them on the basis of the offers and price lists offered by them. Such circumstances could therefore have negative consequences on the economic and financial situation of the Issuer and of the TESMEC Group.

3.1.9 **Risks relating to interest rate fluctuations**

Part of the debt exposure of the TESMEC Group is at a floating rate.

As at 31 December 2013, total interest-bearing financial payables (current portion) is approximately Euro 59.5 million. The total of medium to long-term loans at a floating rate accounts for 42% of total payables of which 67% hedged by means of derivative contracts (Interest Rate Swap).

Short-term payables and notional payables deriving from the Lease Contract are not hedged.

It is impossible to rule out that future fluctuations in interest rates can have negative consequences on the economic and financial situation of the TESMEC Group.

3.1.10 **Risks related to the granting of sureties and/or other guarantees**

The Issuer as at 31 December 2013 released sureties and guarantees totalling Euro 16.5 million. From this amount, sureties and guarantees of Euro 7.6 million were granted to the subsidiaries. All the sureties and guarantees were released to the subsidiaries to support the normal business.

Over the last two years, the companies of the TESMEC Group were not involved in proceedings or transactions related to claims for damages caused by breach of contracts with regard to delivery time and product quality that had a significant impact on the activity or economic and financial situation of the TESMEC Group, and none of the guarantees given by the TESMEC Group was enforced, nor penalties of a significant amount were applied in relation to the failure to comply with the delivery date. However, if in the future the TESMEC Group fails to precisely and promptly fulfil always such commitments, this could have negative effects on the economic and financial situation of the Issuer.

3.1.11 **Risks related to bad debts**

As at 31 December 2013, the amount of receivables of the TESMEC Group was Euro 57.9 million, of which approximately 76% refer to trade receivables from customers.

For the TESMEC Group, credit risk is closely linked to the sale of products on the market. In particular, the extent of the risk depends on both technical and commercial factors and the purchaser's solvency.

From a commercial viewpoint, the TESMEC Group is not exposed to a high credit risk insofar as it has been operating for years in markets where payment on delivery or letter of credit issued by a prime international bank are usually used as payment methods. For trade receivables located in the European region, the TESMEC Group mainly uses factoring operations without recourse.

However, a significant worsening of the loans portfolio of the TESMEC Group could have negative effects on the economic and financial situation of the Issuer.

3.1.12 **Risks related to investments made or planned by the Issuer**

Over the last three financial years, the TESMEC Group supported important investments for the development of new products and for the entry in and strengthening of other market segments, such as Grid Efficiency and Railway. Moreover, the Issuer extended its direct presence in geographical areas where it first operated through dealers, such as Russia, where OOO Tesmec RUS was set up, South Africa, where Tesmec SA was set up and Arabian Peninsula, where Tesmec Peninsula was set up. These investments were made recently and, therefore, at the date of this Admission Document they have not yet generated all potential expected revenues.

We cannot rule out that the delay in return on investments made can affect the economic and financial situation of the TESMEC Group by slowing down its development.

3.1.13 **Liquidity risk**

Liquidity risk is defined as the risk that the Issuer is unable to meet its payment obligations when they fall due.

The liquidity of the Issuer could be damaged by the inability to sell its products, by unexpected outgoing cash flows, by the obligation to provide additional guarantees or by the inability to access capital markets. This situation could arise due to circumstances beyond the Issuer's control, such as a general market disruption or an operational problem affecting the Issuer or third parties or also by the expectation, among the market participants, that the Issuer or other market participants are having a greater liquidity risk. The liquidity crisis and

the loss in confidence in financial institutions can increase the funding costs of the Issuer and restrict its access to some of its traditional liquidity sources.

3.1.14 **Risks related to product liability**

Any defect in the design and manufacture of the products of the TESMEC Group could give rise to a civil and/or criminal liability of the TESMEC Group with regard to its customers or third parties. Therefore, the TESMEC Group, as other operators of the sector, is exposed to the legal action risk for product liability in the Countries where it works and in particular in the United States.

The TESMEC Group has taken out insurance policies to protect itself against risks arising from such liability.

However, the adequacy of the insurance coverage cannot be certain in case of legal actions started due to product liability. Moreover, the involvement of the TESMEC Group in this type of disputes and the possible adverse outcome of these actions could expose the TESMEC Group to reputational damage.

3.1.15 **Risks related to the operations of the industrial factories**

The TESMEC Group is exposed to the risk of production stoppage in one or more of its factories, due to, by way of example, equipment breakdown, revocation of or dispute over authorisations and licences by the competent public authorities, strikes or shortage of labour force, natural disasters, disruptions in the supply of raw materials or energy, sabotage or attacks. In particular, the factory in Texas is located in an area subject to the risk of extreme weather (hurricanes and tornadoes) and, although until now the site in question has not been affected by these atmospheric phenomena, we cannot rule out that it will be so in the future.

Any production stoppage at the industrial factories, due both to the above-mentioned event and to other events, also beyond the Issuer's control, although to some extent covered by the insurance policies of the TESMEC Group currently in place, could have a negative effect on the activity and the economic and financial situation of the TESMEC Group. Although there has been no production stoppage at the industrial factories of the TESMEC Group likely to affect significantly its operations over the last two years, it is impossible to rule out that in the future interruptions will occur and, if this happens, the activity of the TESMEC Group could be adversely affected.

With reference to the industrial factory located in Grassobbio (BG), it is at the disposal of the Issuer as lessee under the terms of the Lease Contract, with duration until 31 January 2018 and automatic mandatory renewal until 31 January 2025, under the same terms and conditions. After the first renewal, the Lease Contract will be automatically renewed for additional periods of seven years, and so on from seven years to seven years, unless at least a twelve-month' notice of proposed termination is sent by one party. The Lease Contract expressly provides for the exclusion of the right of early withdrawal of the lessee as well as for the possibility both for the lessee and for the lessor of giving notice to quit at the first expiry and all this making an exception to what is established in Articles 27, 28 and 29 of Italian Law no. 392/1978.

However, we cannot rule out that in case of termination of the Lease Contract by the lessor or if the contract is not renewed, this could result in an impact on the production of the Issuer and on its economic and financial situation.

With a special reference to the logistics operations from the factory to the customers, transport by land of the trenchers and of the railway wagons for stringing and maintenance of the production wire train is carried out – given the size of the machines – exclusively by means of the so-called heavy haulage. In these cases, the TESMEC Group uses specialised companies that manage the administrative procedure and the requests for the authorisations required for carrying out transport by land.

3.1.16 **Risks related to product manufacturing**

The manufacturing of some of the main products of the TESMEC Group requires skilled labour, semi-finished products, finished products, components and high-quality raw materials. Any difficulty or increased costs in obtaining specialised manufacturing, semi-finished products, finished products, components or quality raw materials to such an extent as to meet the trend in the demand for the products of the TESMEC Group, or increases in supply costs could cause negative effects on the economic and financial situation of the Issuer and of the TESMEC Group.

3.1.17 **Risks related to the development of the regulations on safety and environmental protection in different countries**

On the date of the Admission Document, the TESMEC Group markets its products in 135 countries. The products marketed by the TESMEC Group are subject to changes in regulations on safety and environmental protection in different countries. Albeit until now the Issuer was able to respond effectively to the changes in the regulations in question, the Issuer itself may not be able to respond to future requests just as quickly and with no additional costs having a negative effect on the economic situation of the Issuer.

3.1.18 **Risks related to dependence on key personnel**

Some of the senior executives of the TESMEC Group significantly contributed to the implementation of its development process.

The TESMEC Group believes that it has an operational and managerial structure able to ensure continuity in the management of corporate affairs, and that it has put in place adequate loyalty and incentive mechanisms of these key figures. In particular, an incentive and loyalty plan is in place, by means of a variable bonus, linked to certain objectives of the Issuer and of the TESMEC Group. Moreover, the TESMEC Group signed non-competition agreements with some of its key managers. However, if one of these subjects interrupts his/her collaboration with the TESMEC Group, the latter might not be able to replace him/her in a timely manner with collaborators capable of ensuring the same contribution, with possible negative consequences on the activity and on the economic and financial situation of the TESMEC Group.

3.1.19 **Risks related to environmental legislation and safety in the workplace**

The activities of the TESMEC Group are subject to regulations on environmental protection and safety in the workplace in the various countries in which the TESMEC Group carries on its activities.

Although the TESMEC Group is making important investments in the environmental sector and safety in the workplace, it is impossible to rule out that in the future it will be necessary to increase the level of investments to manage the change to the required standards or technologies used. Moreover, it is impossible to rule out that, in the future, the TESMEC Group will have to incur extraordinary expenses on environmental matters and on safety in the workplace and these expenses have a negative effect on the economic and financial situation of the Issuer and of the TESMEC Group.

3.1.20 **Risks related to intellectual property rights**

The TESMEC Group registered several patents. Moreover, the TESMEC Group registered the trademarks, in some countries, for the classes of goods in which it operates.

The TESMEC Group relies on the legal protection of its industrial and intellectual property rights deriving from their registration. However, the measures taken by the TESMEC Group might be insufficient to protect its industrial and intellectual property rights from any registration, from the exploitation, unlawful or otherwise, of these rights by third parties. Moreover, these industrial and intellectual property rights might not be sufficient to ensure a competitive advantage to the TESMEC Group if third-party companies develop and register

trademarks or patents. These circumstances could have adverse effects on the activity and the economic and financial situation of the TESMEC Group.

3.1.21 **Risks related to transactions with related parties**

Over the last few financial years, the companies of the TESMEC Group had and still have different types of relations both with other companies of the TESMEC Group itself and with other related parties, identified on the basis of principles established by the International Standard IAS 24. Moreover, since the Issuer is listed on the Electronic Stock Market, it adopted on 11 November 2010 the procedure for transactions with related parties implemented recently on 14 March 2014.

The Issuer has purely commercial transactions with related parties.

The Company enters into specific contracts with the related parties from which the Issuer claims financial receivables; these contracts provide for the payment of an interest rate and for the repayment over a period normally not exceeding 12 months.

The activities carried out by each related party are summarised below:

Tesmec USA Inc., a company that is 67% owned by the Issuer and 33% by Simest S.p.A. (the Issuer has the option to repurchase the latter shareholding), is based in Alvarado (Texas) and operates in both the trencher segment and in the stringing equipment/railway segment;

Tesmec Balkani EAD, company 100% owned by the Issuer with registered office in Plovdiv (Bulgaria). The company works in the trencher segment;

Tesmec Service S.r.l., company 100% owned by the Issuer with registered office in Grassobbio (BG) and operating unit in Monopoli (BA) where it carries out its activity of design and construction of machinery for the maintenance of railway rolling stock;

Tesmec SA (Pty) LTD, with registered office in Johannesburg (South Africa), 100% owned by the Issuer, was set up in August 2011 and operated in the market of projects in the telecommunications and pipelines;

OOO Tesmec Rus, with registered office in Moscow (Russia), 100% owned by the Issuer, was set up in November 2011. The company operates mainly in the Stringing equipment and Grid Efficiency segment;

Condux Tesmec Inc, a joint venture that is 50% owned by the Issuer. and 50% by US shareholder Condux, which is based in Mankato (USA), has been operational since June 2009 and sells products on the North American stringing equipment market;

Tesmec Peninsula WLL, a Joint Venture with registered office in Doha (Qatar) 49% owned by the Issuer, is the hub through which the TESMEC Group is present on the Arabian Peninsula. The company works in the trencher segment;

Locavert SA, a company 38.63% owned by the Issuer and based in Bouillargues, France, leases trenchers and carries out excavation works;

East Trenchers S.r.l., a company 91% owned by the Issuer, based in Treviso, specialised in the hire/service of trencher machines with the inclusion of pre/post-sales services that traditionally are coupled with this kind of activity;

Dream Immobiliare S.r.l., a company 99% owned by TTC S.r.l. whose capital is held, among other things, (i) by Ambrogio Caccia Dominioni, Chairman and Chief Executive Officer of the Issuer, for an amount accounting for 19%; (ii) by Ellida Pittaluga, wife of Ambrogio Caccia Dominioni, for an amount accounting for 19%; (iii) by Carlo Caccia Dominioni, son of Ambrogio Caccia Dominioni for an amount accounting for 19%; (iv) by Caterina Caccia Dominioni, member of the Board of Directors of the Issuer and daughter of Ambrogio Caccia Dominioni, for an amount accounting for 19%; (v) by Lucia Caccia Dominioni, daughter of Ambrogio Caccia Dominioni, for an amount accounting for 19%. TTC S.r.l. holds both

directly and indirectly 42.84% of the share capital of the Issuer. On the Date of the Admission Document, the Issuer has the Lease Contract with Dream Immobiliare S.r.l.;

Reggiani Macchine S.p.A.: company 60% owned by Fi.Ind S.p.A. with which the Issuer has relations for costs related to users shared in the building of Grassobbio;

Ambrosio S.r.l.: company owned by the Caccia Dominioni family with which the Issuer has a lease contract covering the registered office of Milan;

M.T.S. Officine Meccaniche S.p.A.: company 95% owned by Fi.Ind. S.p.A., subsidiary of TTC S.r.l. with which the Issuer has commercial dealings related to the sales of semi-finished products for the textile industry made by the factory of Sirone in addition to services related to the sharing of administrative personnel and services relevant to the same plant.

CBF S.r.l.: company whose majority of the share capital is held, in the indicated percentages, by the following subjects (i) 27.84% by Alfredo Brignoli, shareholder with a 27.20% participation of the company Fi.Ind S.p.A., owner of a participation accounting for 12.54% of the share capital of the Issuer, as well as Vice President of the Board of Directors of the Issuer, (ii) 26.83% by Ambrogio Caccia Dominioni, shareholder with a 19% participation of the share capital of the company TTC S.r.l., directly and indirectly owner of a participation accounting for 42.84% of the share capital of the Issuer, as well as Chairman and Chief Executive Officer of the Issuer, and (iii) 29.27% by Ellida Pittaluga wife of Ambrogio Caccia Dominioni and shareholder with a 19% participation of the share capital of the company TTC S.r.l., directly and indirectly owner of a participation accounting for 42.84% of the share capital of the Issuer. On 23 December 2013, the Issuer purchased from CBF S.r.l. the availability of the industrial complex located in Sirone (LC) by taking over the related real-estate lease contract existing between CBF S.r.l. and Claris Leasing S.p.A. The negotiations between the Issuer and CBF S.r.l. led to the completion of the transaction at a value of the industrial complex of Euro 5,100,000.00 that, less the residual debt of the Leasing Agreement of Euro 1,946,272.00, led to the definition of the consideration to be paid to CBF S.r.l. in order to take over the leasing agreement in Euro 3,153,728.00. Part of the consideration of Euro 2,753,728.00 was paid by the Issuer to CBF S.r.l. through the immediate payment on the effective date of the takeover in the leasing agreement above; the residual amount of Euro 400,000.00 through the payment of 8 interest-free monthly instalments of Euro 50,000.00 as from 1 January 2014 to 1 August 2014.

The Issuer believes that the conditions of the contracts with related parties and the conditions actually applied are consistent with current market conditions. However, there is no guarantee that, where such transactions were concluded between or with third parties, they would have negotiated or signed the relevant contacts, or carried out the transactions, under the same conditions and with the same procedures.

3.1.22 Operational risk

The definition adopted identifies operational risk as the risk of incurring losses due to errors, violations, interruptions, damages caused by internal processes, personnel, systems or caused by external events. Therefore, the Issuer and other companies of the TESMEC Group are exposed to several types of operational risks, including the fraud risk by employees and external subjects, the risk of unauthorised operations performed by employees or the risk of operational errors, including those arising from defects or malfunctions of computer or telecommunication systems. The systems and methods of operational risk management are designed to ensure that such risks related to its activities are kept properly under control. Any difficulty or defect of these systems could adversely affect the financial position and the operating income of the Issuer and of the other companies of the TESMEC Group.

These factors, especially during periods of economic and financial crisis, could cause the Issuer and the other companies of the TESMEC Group to incur losses, increases in funding costs, decreases in the value of assets held, with a potential negative impact on the liquidity

of the Issuer and of the other companies of the TESMEC Group and on their balance sheet structure.

3.1.23 **Risks related to disputes involving the Issuer or the TESMEC Group**

On the date of the Admission Document, the companies of the TESMEC Group are involved in some legal proceedings. We describe below the most important litigations on the date of the Admission Document.

The Issuer is a party to a litigation brought against it by the previous French distributor of the Trencher segment because of the allegedly unjustified termination of the distribution agreement and alleged violation of territorial exclusivity. The Issuer appeared before the court challenging the validity of the plaintiff's claims and using a counter-claim because the distributor failed to perform several times its duty to promote the products of the Issuer on the French market and hence claiming damages for loss of market and image with French customers. In support of its arguments, the Issuer filed an accounting report that, on the one hand, shows that the amounts requested by the former distributor are not supported by sufficient evidence and, on the other hand, bears out the requests in support of the counter-claim started by the Issuer. The competent court reserved to make its final decision by the end of April 2014.

The Issuer considered the potential liabilities that could result from the pending litigations and does not believe that any liability based on the results of the pending litigations may have a significant impact on the economic and financial situation of the Issuer.

3.2 **Risk factors related to the segment in which the Issuer operates**

3.2.1 **Risks related to the development of the regulatory framework, with a special reference to regulations on environmental protection**

The TESMEC Group is subject, in the various countries where it operates, to several law and regulatory provisions, as well as national or international technical standards, applicable to companies operating in the same segment. The provisions on the protection of the environment take on particular importance.

The enactment of further regulatory provisions applicable to the TESMEC Group or to its products (and in particular to those of the Stringing equipment, Trencher and Railway segments) or rather changes to the laws and regulations currently in force in areas where the TESMEC Group operates, even internationally, could force the TESMEC Group to adopt stricter standards or influence its freedom of action in its areas of activity.

These factors could result in adjustment costs of production structures or of product characteristics, or even limit the operations of the TESMEC Group with a subsequent negative effect on its activity and on its economic and financial situation.

Therefore, any change to the standards or regulatory criteria currently in force, as well as the occurrence of exceptional or unforeseeable circumstances, could force the TESMEC Group to incur extraordinary expenses in environmental matters. These expenses could be significant and thus have adverse effects on the activity and the economic and financial situation of the TESMEC Group.

3.2.2 **Risks related to the performance of the macroeconomic situation and infrastructure investments**

The demand for the products of the TESMEC Group is related to the infrastructure investment cycle (in particular, power lines, data transmission systems, water systems, gas pipelines and oil pipelines) in the various countries where it operates. The annual amount of infrastructure investments is related to the general macroeconomic framework.

Therefore, strong changes in the macroeconomic scenario in the countries where the TESMEC Group is present or other events that are able to adversely affect the level of infrastructure investments, such as the recent global financial crisis, can affect, significantly

or otherwise, the activity as well as the economic and financial situation of the TESMEC Group.

3.2.3 **Risks relating to fluctuations in raw material prices**

Due to the nature of the purchased components (considering the importance of their technological contents), the price of raw materials – and especially of steel, which is the main raw material used by the TESMEC Group – affects only partially the purchase costs of the TESMEC Group, whereas the costs of conversion incurred by the supplier are decisively affected by it.

Although the effect of any structural increase in prices of raw materials has considerable effects on costs incurred by the TESMEC Group with an extension of 6/12 months, period within which appropriate commercial activities may reasonably transfer these increases on sales prices to protect margins, in the presence of consistent and persistent increases in the price of raw materials – and especially of steel - the TESMEC Group may have difficulties in obtaining raw materials, components or semi-finished goods of adequate quality and sufficient to support the growth of production or it may find it difficult to transfer any additional cost on sales prices. The circumstances described above could have a negative impact on the economic and financial results of the TESMEC Group.

3.2.4 **Risks related to the access to the credit market by the customers**

The recent global financial crisis that affected the economies of most of the countries led to a global “credit crunch” making the access to loan banks still difficult.

The limited access to such forms of credit could result in the overall decrease in the demand for products by companies that cannot otherwise obtain the necessary funding sources, or in the cancellation of orders already made by them, determining as a result a negative impact on the activity, on the economic and financial situation of the TESMEC Group and on the performance of share prices.

3.2.5 **Risks related to competition**

The Issuer works in a competitive environment in which it is in competition with Italian and multinational subjects with financial resources greater than those of the Issuer. If the Issuer, due to an increase in the number of its direct competitors, is not able to keep its competitive strength on the market, there could be negative effects on the activities and growth prospects of the Issuer, as well as on its economic and financial situation.

3.2.6 **Risks related to the economic and financial situation**

The economic and financial crisis that at the end of 2008 hit the banking system and financial markets led to a worsening of the global economic-financial framework that resulted, *inter alia*, in a general drop in consumption, a generalised credit squeeze, a reduction in liquidity on the financial markets and an increase in the volatility of these markets.

The earnings capacity and the stability of the Issuer are affected by the general economic situation and by the financial market trend and, in particular, by the soundness and by the growth prospects of the country, including its/their creditworthiness. In this regard, the performance of factors such as expectations and investor confidence, the level and the volatility of short and long-term interest rates, exchange rates, the liquidity of financial markets, the availability and the cost of capital, sovereign debt sustainability, household income and consumer spending, levels of unemployment, inflation and house prices become significantly important.

Even if the Issuer obtained positive results also coinciding with the recent crisis, we cannot rule out that, should the economic recession phase continue in the long run, this will have a negative impact on the activity and on the growth prospects of the Issuer, as well as on its economic and financial situation.

3.3 **Risk factors related to the listing of the Bonds**

3.3.1 **Risks related to trading on ExtraMOT PRO, market liquidity and possible volatility of the Bond price**

The Issuer filed the request for admission to trading of the Bonds with the Professional Segment (ExtraMOT PRO) of the ExtraMOT Market, reserved only for professional investors, the only admitted to trading on this market.

The Bonds will not be assisted by a specialist operator (as defined within the Regulation of the ExtraMOT Market). Therefore, even the professional investor who intends to divest the Bonds prior to maturity may have difficulty in finding a counterparty and therefore in liquidating the investment, with the consequent risk of obtaining a value lower than the subscription value. In fact, the selling price will be influenced by several factors, including:

- a) change in interest rates and market rates (“*Interest rate risk*”);
- b) characteristics of the market in which the bonds are traded (“*Liquidity risk*”);
- c) change in the credit rating of the Issuer (“*Risk of deterioration in the credit rating of the Issuer*”); and
- d) commissions and charges (“*Risk related to the presence of commissions and other charges in the issue price*”).

As a result, the investors, when preparing their financial strategies, must take into account that the duration of the investment could match the duration of the Bonds. On the other hand, these elements do not affect the redemption value at maturity, which is equal to 100% of the Nominal Value.

3.3.2 **Interest rate risk**

The investment in Bonds involves “market” risk factors of an investment in fixed-rate bonds. The fluctuations of interest rates on financial markets affect the more the price and the yield of the Bonds the longer their residual life. Therefore, if the Bonds are sold before maturity, their market value could be significantly lower than their subscription price and the revenue of this sale could therefore be significantly lower than the initially invested amount or significantly lower than the one assigned to the Bonds at the time of purchase assuming to keep the investment until maturity.

3.3.3 **Risks related to a possible lowering of the rating of the Issuer**

On the date of this Admission Document, the rating of the Issuer is A2.2 according to the Cerved Group S.p.A., and was assigned to the Issuer on 24 February 2014.

Cerved Group S.p.A. issues ratings recognised at European level and was registered on 20 December 2012 as Credit Rating Agency (CRA) pursuant to the EC Regulation no. 1060/2009. Besides, the possibility of accessing the capital market, other forms of financing and related costs could be also affected by the rating assigned to the Issuer. Therefore, any reduction of the rating could limit the possibility of accessing the capital market and increase the cost of funding and/or refinancing of the existing debt with consequent negative effects on the economic and financial situation of the Issuer. Any change to the rating of the Issuer or any monitoring of the Issuer by the Cerved Group S.p.A. and/or other rating agencies will be made known through a special press release published on the website of the Issuer.

3.3.4 **Risk related to the occurrence of events beyond the Issuer's control**

Events such as the approval of the financial statements or of the half-year report of the Issuer, press releases or changes in the general conditions of the market can significantly affect the market value of the Bonds. Moreover, the severe fluctuations in the market, as well as the general economic and political conditions can negatively affect the market value of the Bonds, regardless of the creditworthiness of the Issuer.

3.3.5 **Risk deriving from changes to the tax system**

All the present and future tax charges that apply to the payments made pursuant to and in relation to the Bonds are to the exclusive charge of the related Bondholder. It is not certain whether the tax system applicable on the date of approval of this Admission Document remains unchanged during the life of the Bonds, with possible detrimental effect on the net yield expected by its Bondholder.

3.3.6 **Risk related to conflict of interest**

(i) ***[Risk of coincidence of the Issuer with the Calculation Agent][TBC IN THE LIGHT OF WHO WILL ACT AS CALCULATION AGENT]***

If the Issuer and the Calculation Agent of the coupons - i.e. the subject in charge of calculating the interests - coincide, this could lead to a potential conflict of interests with regard to the Bondholders.

(ii) ***Risk of conflict of interests related to the repurchase of the Bonds by the Issuer***

The Issuer could be in a situation of conflict of interests even when it acts as direct counterparty in the repurchase of the Bonds by determining their price.

(iii) ***Risk of conflict of interests with subjects involved in the transaction***

The subjects involved in various ways in the issue and placement of the Bonds can have a self-interest potentially in conflict with that of the subscriber.

3.3.7 **Risks arising from the arbitration procedure provided for in the Loan Regulation**

If, following the carrying-out of the arbitration procedure contemplated in Articles 9 (*Early redemption in favour of the Bondholders*) and 13.1 (*Exceeding the Financial Parameters*) of the Loan Regulation, the Issuer were to be the losing party, the latter will bear the costs related to the settlement of the dispute up to a maximum amount of Euro 50,000.00 (fifty thousand/00). Therefore, in case of defeat by the Issuer, the Noteholders may bear the costs of litigation in excess of the above amount of Euro 50,000.00 (fifty thousand/00) ; provided, however, the decision of the arbitration panel shall be final and may be appealed by the Common Representative (if appointed) or by the person designated for the purpose by the Bondholders by the Issuer or in front of the ordinary courts. It is expressly understood that if the Common Representative (if appointed) or the person designated for the purpose by the Bondholders or the Issuer to proceed in the face of ordinary jurisdiction, the other party shall have the right, exercisable within a penalty of forfeiture of the appearance response, to raise the objection of lack of jurisdiction of the ordinary courts by virtue of the presence of the arbitration clause in the Loan Regulations. The failure to bring within the response, the exception excludes the jurisdiction limited to the arbitration dispute devolved into that judgment.

3.3.8 **Risk related to the early redemption of the Bonds**

The Bonds can be redeemed in advance pursuant to what is provided in Article 9 (*Early redemption in favour of the Bondholders*) of the Loan Regulation. In this case, the expectations of the Bondholders in terms of yield will be disregarded in that the yield expected at the time of subscribing the Bonds, calculated or assumed on the basis of the original duration of the Bonds, could decrease. Moreover, it is not certain whether, in case of early redemption of the Bonds, the financial market situation is such as to allow the Bondholders to reinvest the sums received as a result of the early redemption at a yield at least equal to that of the Bonds redeemed in advance.

4. INFORMATION RELATING TO BONDS

The loan regulation containing the terms and conditions of the Bonds admitted to trading pursuant to this Admission Document is set below.

REGULATION OF THE BOND LOAN
«Tescmec S.p.A. 6% 2014 – 2021»
OF A PAR VALUE OF EURO 15,000,000.00
ISIN CODE IT0005012247

Tescmec S.p.A.

Registered office: Piazza Sant’Ambrogio 16, Milan – 20123

Tax and VAT code and Milan Register of Companies no: 10227100152

Approved, subscribed and fully paid up share capital: Euro 10,708,400.00

*This bond loan is regulated by the following terms and conditions (the “**Loan Regulation**”) and, for all that is not specifically indicated therein, by Articles 2410 et sequitur of the Italian Civil Code on bonds issued by joint-stock companies.*

1. Definitions

In this Loan Regulation, the following expressions have the meanings assigned to them below, respectively:

“**Amortisation/depreciations**” is the sum of the value of depreciations of tangible assets and amortisation of intangible assets, calculated in accordance with the IFRS (International Financial Reporting Standards), as devised by the IASB (International Accounting Standards Board).

“**Article**” is an article of this Loan Regulation.

“**Bondholders' Meeting**” has the meaning ascribed to such term in Article 20.

“**Assets**” means, with reference to a company, the tangible and intangible assets held by the company itself, including receivables, shares, equity investments and financial instruments.

“**Borsa Italiana**” means Borsa Italiana S.p.A., with registered office in Milan, Piazza degli Affari n.6.

“**Cerved**” means Cerved Group S.p.A., with registered office in Via S. Vigilio n.1, 20142 - Milan, tax code and Milan Register of Companies no. 08076240962, REA no. MI-2001719.

“**Early Redemption Notice**” has the meaning ascribed to such term in Article 9.

“**Step-Up Notice**” has the meaning ascribed to such term in Article 12.

“**Calculation date**” is the date on which the Financial Parameters are calculated and verified; it being understood that, with reference to each calendar year, the Calculation Date must fall in the period included between (i) the Payment Date falling in such calendar year and (ii) the date falling 30 days after the publication of the annual financial statements approved by the Shareholders’ meeting of the Issuer; it being understood that, in relation to the 2014 calendar year, the Calculation Date must fall in the period included between (i) the Issue Date and (ii) the date falling 30 days after the publication of the annual financial statements approved by the Shareholders’ meeting of the Issuer with reference to the 2013 financial statements.

“**Issue Date**” has the meaning ascribed to such term in Article 5.

“**Payment Date**” has the meaning ascribed to such term in Article 7.

“**Early Redemption Date**” is the early redemption date of the Loan that falls the fifteenth Business Day following the Request for Early Redemption or the Early Redemption Notice (as the case may

be), it being understood that the Bondholders may provide for a later date in the Request for Early Redemption.

“**Maturity date**” has the meaning ascribed to such term in Article 6.

“**Issue resolution**” has the meaning ascribed to such term in Article 16.

“**EBITDA**” is, in relation to the Group, the operating income gross of amortisation/depreciations on the basis of the consolidated income statement of the Group, prepared in accordance with the IFRS (International Financial Reporting Standards), as devised by the IASB (International Accounting Standards Board).

“**Issuer**” is Tesmec S.p.A., with registered office in Piazza Sant’Ambrogio 16, Milan - 20123, Milan Register of Companies, Tax Code and VAT no. 10227100152, fully paid up share capital of Euro 10,708,400.00.

“**Interest-rate Change Event**” means, in relation to a Calculation Date, the excess of any of the Financial Parameters determined by excess deviation greater than 15% (fifteen per cent) the value indicated in Article 12 (*Commitments of the Issuer*), paragraph (vi), it being understood that, if the related deviation persists, this persistence does not determine an additional change in the Interest Rate.

“**Significant Detrimental Event**” is any event whose direct or indirect consequences can affect negatively the financial conditions, the assets or the activity of the Issuer in such a way as to impair the ability of the Issuer to fulfil its obligations deriving from the Bond Loan on a regular basis.

“**Material Event**” has the meaning ascribed to such term in Article 9.

“**FLIND S.p.A.**” is the company Fi.Ind. S.p.A. with registered office in Piazza Sant’Ambrogio 16, Milan tax code 05965220014 and VAT number 11362420157, which holds an equity investment accounting for 12.54% of the share capital of the Issuer.

“**Business Day**” is any day on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET2) is operative for the Euro payment.

“**Group**” is the Issuer and the companies controlled by it pursuant to Article 2359 of the Italian Civil Code and of Article 93 of the Consolidated Law on Finance (T.U.F.).

“**Interests**” has the meaning ascribed to such term in Article 7.

“**Professional investors**” has the meaning ascribed to such term in Article 3.

“**Bankruptcy Law**” has the meaning ascribed to such term in Article 9.

“**ExtraMOT Market**” is the multilateral trading system of the bonds organised and managed by Borsa Italiana called “Extramot”.

“**Monte Titoli**” means Monte Titoli S.p.A., with registered office in Milan, Piazza degli Affari n. 6.

“**Bonds**” has the meaning ascribed to such term in Article 2.

“**Bondholders**” has the meaning ascribed to such term in Article 2.

“**Permitted Transactions**” means, in relation to the Issuer or other company of the Group (as the case may be), the following transactions:

- (v) extraordinary corporate transactions involving the acquisition of equity investments in the share capital of the Issuer or of another company of the Group (as the case may be) by (a) public entities qualifying as state governments or (b) private entities whose control is exercised by the Italian State or by its general management;
- (vi) acquisitions in which each of the following parameters is less than 25% (twenty five per cent):
 - f) value of the transaction (i.e. the amount paid to the counterparty in case of cash components, or the fair value determined on the date of the transaction in accordance with the international accounting standards in the case of components consisting of

- financial instruments) / capitalisation of the Issuer (recorded at the close of the last opening trade day included in the reporting period of the last financial report published);
- g) total assets of the company (or business or business branch) acquired / total consolidated assets of the Issuer; it being understood that for the purposes of the value of the numerator, we will refer to what is provided on the subject in Annexe 3B of the Issuers' Regulation;
 - h) comprehensive income (IAS 1) before tax and results from discontinued operations of the company (or business or business branch) acquired / consolidated comprehensive income (IAS 1) before tax and results from discontinued operations of the Issuer;
 - i) total shareholders' equity of the company (or business or business branch) acquired / total consolidated shareholders' equity of the Issuer;
 - j) total liabilities of the entity (or business or business branch) acquired / total consolidated assets of the Issuer;
it being understood that, where the acquisition covers a single asset, the only parameter that applies is the one identified in point a) above;
- (vii) merger or demerger transactions in which each of the following parameters is less than 25% (twenty five per cent):
- e) total assets of the merged company or of the assets to be demerged / total consolidated assets of the Issuer;
 - f) comprehensive income (IAS 1) before tax and results from discontinued operations of the merged company or of the assets to be demerged / consolidated comprehensive income (IAS 1) before tax and results from discontinued operations of the Issuer;
 - g) total shareholders' equity of the merged company or of the business branch to be demerged / total consolidated shareholders' equity of the Issuer;
 - h) total liabilities of the merged company or of the liabilities to be demerged / total consolidated assets of the Issuer;
- (viii) the following sales, transfer and disposal transactions:
- h) of Assets identified as "fleet assets" in the explanatory notes to the financial statements of the Issuer;
 - i) of Assets in exchange for Assets whose value is at least equal to the Assets subject matter of the transaction;
 - j) of obsolete Assets or Assets no longer required for carrying on the business;
 - k) of Assets aimed at creating Permitted Constraints;
 - l) of trade receivables (both without recourse and with recourse);
 - m) sale transactions in which each of the following parameters is less than 25% (twenty five per cent):
 - 1) value of the transaction (i.e. the amount paid by the counterparty in case of cash components, or the fair value determined on the date of the transaction in accordance with the international accounting standards in the case of components consisting of financial instruments) / capitalisation of the Issuer (recorded at the close of the last opening trade day included in the reporting period of the last financial report published);
 - 2) total assets of the company (or business or business branch) sold / total consolidated assets of the Issuer; it being understood that for the purposes of the value of the numerator, we will refer to what is provided on the subject in Annexe 3B of the Issuers' Regulation;
 - 3) comprehensive income (IAS 1) before tax and results from discontinued operations of the company (or business or business branch) sold / consolidated comprehensive income (IAS 1) before tax and results from discontinued operations of the Issuer;
 - 4) total shareholders' equity of the company (or business or business branch) sold / total consolidated shareholders' equity of the Issuer;
 it being understood that, where the sale transaction, assignment, transfer covers a single asset, the only parameter that applies is the one identified in point 1) above; or

- n) in any case, in addition to the foregoing transactions, of Assets whose net value recorded in the financial statements is not greater than Euro 6,000,000.00 (six million/00),

it being understood that, if the Issuer or another company of the Group concludes with the same counterparty or with subjects controlling or controlled by it or in respect of which it has already evidences of the connexion with the said counterparty, several homogeneous transactions or transactions carried out in performance of a business plan that, albeit not exceeding individually the parameters indicated in the previous paragraphs (ii), (iii), (iv)(f), when considered as a whole exceed the said parameters, the transactions in question will be considered Prohibited Transactions.

“**Prohibited Transactions**” has the meaning ascribed to such term in Article 12.

“**Financial Parameters**” has the meaning ascribed to such term in Article 12.

“**Shareholders' Equity**” is the sum of the following items: “*Share capital*”, “*Legal reserve*”, “*Share premium reserve*”, “*Statutory reserve*”, “*Translation reserve*”, “*Other Reserves*” and the “*Profit for the period*” on the basis of the consolidated statement of financial position of the Group, prepared in accordance with the IFRS (International Financial Reporting Standards), as devised by the IASB (International Accounting Standards Board).

“**Net Financial Indebtedness**” is, in relation to the Group and on the basis of the results of the consolidated financial statements, the overall sum of cash and cash equivalents, current financial assets (including available-for-sale securities), current and non-current financial liabilities, fair value of hedging instruments and other non-current financial assets, in compliance with what is established in the CESR 05-054/b Recommendation of 10 February 2005 “*Recommendations for the uniform implementation of the EC Regulation on prospectuses*”. In this regard, the calculation of the Net financial indebtedness will not include (a) “notional” financial payables that will arise – in accordance with the provisions of the IFRS (International Financial Reporting Standards), also considering the IAS 17 international accounting standards – from the recording of a lease contract between the Issuer and Dream Immobiliare S.r.l. signed on 26 January 2011 and relating accessory agreements and (b) as a result of the possible purchase of the buildings set forth in the lease contract signed on 26 January 2011 between the Issuer and Dream Immobiliare S.r.l. and relating accessory agreements, an amount of financial payables equal to the carrying value of the related buildings.

“**Bond Loan**” has the meaning ascribed to such term in Article 2.

“**First Significant Calculation Date**” has the meaning ascribed to such term in Article 7.

“**Net Debt/EBITDA ratio**” is the Net Financial Indebtedness to EBITDA ratio.

“**Net Debt/SE ratio**” is the Net Financial Indebtedness to Shareholders' Equity ratio.

“**Common Representative**” has the meaning ascribed to such term in Article 20.

“**Rating**” is the public rating solicited assigned to the Issuer by Cerved on 24 February 2014 pursuant to the EC Regulation 1060/2009 (as subsequently amended and supplemented).

“**Regulation of the ExtraMOT Market**” means the rules of management and operation of the ExtraMOT Market issued by Borsa Italiana, effective as of 8 June 2009 (as amended and supplemented each time).

“**Loan Regulation**” is this regulation of the Bond Loan.

“**Issuers' Regulation**” is the regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended, concerning the rules for issuers.

“**Relating Calculation date**” has the meaning ascribed to such term in Article 7.

“**Request for Early Redemption**” has the meaning ascribed to such term in Article 9.

“**Operating Income**” is the difference between the total amount of the book entry “*Revenues from sales and other services*” and the total amount of the book entry “*Operating costs*”, on the basis of

the consolidated income statement of the Group, prepared in accordance with the IFRS (International Accounting Standards), as devised by the IASB (International Accounting Standards Board).

“**Second Significant Calculation Date**” has the meaning ascribed to such term in Article 7.

“**ExtraMOT PRO segment**” is the ExtraMOT Market segment where the financial instruments are traded (including bonds) and accessible only to professional investors (as defined in the Regulation of the ExtraMOT Market).

“**Sponsor**” means the following subjects that on the Issue Date participate in the share capital of the FLIND S.p.A. and TTC S.r.l.:

- (i) TTC S.r.l., holding 57.1% of the share capital of FLIND S.p.A. on the Issue Date; and
- (ii) Ambrogio Caccia Dominioni, Ellida Pittaluga, Carlo Caccia Dominioni, Caterina Caccia Dominioni and Lucia Caccia Dominioni, each holding 19% of the share capital of TTC S.r.l. on the Issue Date.

“**Interest rate**” has the meaning ascribed to such term in Article 7.

“**Initial Interest Rate**” has the meaning ascribed to such term in Article 7.

“**TTC S.r.l.**” the company TTC S.r.l. with registered office in Via Gustavo Fara 35, Milan tax code and VAT number 05642790967, which holds an equity investment accounting for 30.30% of the share capital of the Issuer.

“**Consolidated Law on Finance (T.U.F.)**” is the Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented.

“**Nominal value**” has the meaning ascribed to such term in Article 2.

“**Permitted Constraints**” means:

- m) the Constraints as a guarantee for subsidised financing (with exclusive reference to the economic conditions applied) granted by public bodies, multilateral development institutions, development agencies, international organisations and banks or credit institutions acting as representatives of such institutions or organisations, provided that such loans are granted as part of the ordinary activities of the related company resulting from the articles of association in force;
- n) the Constraints on Assets to finance their acquisition, provided that the value of the Assets encumbered by the Constraints does not exceed the value of the Assets acquired;
- o) each Constraint granted directly by the law, with the exception of those set up as a consequence of a violation of mandatory provisions;
- p) the Constraints set up by third parties as “advance bonds”, “performance bonds” and “guarantee bonds” in relation to contracts signed by the Issuer or by other companies of the Group as part of the ordinary activities of the related company;
- q) any kind of guarantee and counter-guarantee (including, by way of example, “advance bonds”, “performance bonds” and “guarantee bonds”) granted by a company of the Group for the bonds of another company of the Group;
- r) the Constraints set up on Assets subject matter of the related transaction, to the extent that the latter is a Permitted Transaction, including, by way of example, the Constraints existing on the assets subject matter of the transaction before or at the time of the related transaction;
- s) the Constraints set up on Moveable and/or real estate assets;
- t) the Constraints set up as part of trade finance transactions;
- u) the Constraints set up as part of current account overdraft facilities, advances on invoices, credit lines and similar transactions;
- v) selling agreements or other conditional sale or the like;

- w) netting agreements as part of the ordinary business;
- x) in any case, in addition to the foregoing transactions, Constraints for a value not exceeding 1% (one per cent) the shareholders' equity of the Issuer.

"**Constraint**" means any mortgage, pledge, encumbrance or restriction on properties or lien on Assets as well as any bank guarantee or other personal guarantee, taken out or granted as a guarantee for the obligations of the Issuer and/or third parties (including any kind of asset allocation and segregation).

2. Nominal amount of the issue, denomination and form of the Bonds

This Loan Regulation controls the issue of a bond loan (the "**Bond Loan**") by Tesmec S.p.A.

The Bond Loan, totalling a nominal amount of Euro 15,000,000.00 (fifteen million/00) called «*Tesmec S.p.A. 6% 2014 – 2021*», comprises 150 bearer bonds with a nominal value of Euro 100,000.00 (one hundred thousand/00) each (the "**Nominal Value**") in a denomination that cannot be divided (the "**Bonds**").

The Bonds will be placed in the central management system with Monte Titoli for uncertificated securities set forth in Paragraph II, Title II, Part III of the Consolidated Law on Finance (T.U.F.), and in the "*Regulation concerning the rules of central management and payment services, of the guarantee systems and related management companies*" adopted by the Bank of Italy and by Consob with measure of 22 February 2008 and subsequently amended with joint Bank of Italy and Consob measure of 24 December 2010. Therefore, in compliance with this system, all the transactions concerning Bonds (including transfers and the setting-up of constraints), as well as the exercise of the relating property rights may be carried out only in compliance with the provisions of Articles 80 et sequitur of the Consolidated Law on Finance (T.U.F.). The **Bondholders** may not require the physical delivery of the documents of title to Bonds. There is no prejudice to the right to request the issue of the certification set forth in Article 83-*quinquies* of the del Consolidated Law on Finance (T.U.F.).

3. Subscription and circulation limits

The Bond Loan is exclusively reserved for subscription by subjects falling within the category of professional customers by right or upon request, pursuant to the Intermediaries Regulation adopted with Consob resolution no. 16190 of 29 October 2007 and subsequently amended and supplemented, with the exclusion of natural persons (the "**Professional Investors**").

In case of a subsequent circulation of the Bonds, it is not allowed to transfer the Bonds to subjects other than Professional Investors.

The Bonds are issued exempt from the obligation to publish an offer prospectus, pursuant to and for the purposes set forth in Article 100 of the Consolidated Law on Finance (T.U.F.) and of Article 34-*ter* of the Issuers' Regulation passed by Consob resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented.

Moreover, the Bonds were not and will not be recorded pursuant to the U.S. Securities Act of 1933, as subsequently amended and supplemented, or pursuant to other relevant laws, or pursuant to the corresponding regulations in force in Canada, Australia, Japan or in any other Country where the sale and/or subscription of Bonds is not allowed by competent authorities.

Without prejudice to the above, the subsequent circulation or resale of the Bonds in any of the Countries mentioned above or, any way, in Countries other than Italy and to subjects not resident or not incorporated in Italy, may be carried out only: (i) to the extent that it is expressly permitted by the laws and regulations applicable in the respective Countries where the subsequent circulation of the Bonds will be carried out; or (ii) if the laws and regulations applicable in these Countries provide for specific exemptions that allow the circulation of the Bonds.

The circulation of the Bonds will be carried out in accordance with all applicable regulations in force, including the provisions relating to anti-money laundering set forth in Italian Legislative Decree 231/2007, as subsequently amended and supplemented.

4. Issue price

The Bonds are issued at par at a price equal to 100% (one hundred per cent) of the Nominal Value, i.e. at the price of Euro 100,000.00 (one hundred thousand/00) for each Bond, without additional expenses, charges or commissions for the Bondholders.

5. Issue date and entitlement date

The Bond Loan is issued on 10 April 2014 (the “**Issue Date**”) and its entitlement date coincides with the Issue Date.

6. Duration

The Bond Loan has a duration of 7 (seven) years, until 10 April 2021 (the “**Maturity Date**”), without prejudice to the cases of early redemption contemplated in the following Article 9 (*Early redemption in favour of the Bondholders*).

7. Interests

The Bonds are interest bearing starting from the Issue Date (included) until the Maturity Date (excluded), without prejudice to the cases of early redemption contemplated in the following Article 9 (the “**Interests**”) at the gross annual nominal fixed rate (the “**Interest rate**”) of:

- a) before the occurrence of any Interest-rate Change Event, 6% (six per cent) (the “**Initial Interest Rate**”); or
- b) starting from the interest period that starts after the Calculation Date in which an Interest-rate Change Event was reported (this Calculation Date, the “**Relating Calculation date**”), the Initial Interest Rate increased by 1.00% (one per cent), except as hereinafter provided in case of restoration of the Financial Parameters.

In order to calculate the Interest Rate, the Financial Parameters will be calculated and verified on an annual basis on each Calculation Date, with reference to the figures deriving from the consolidated financial statements of the Group ended 31 December before the related Calculation Date.

If (i) an Interest-rate Change Event occurs and (ii), subsequently, the Financial Parameters are restored to the value indicated in the following Article 12 (*Commitments of the Issuer*), the applicable Interest Rate will be calculated as follows:

- A) if the Financial Parameters are restored on the first Calculation Date right after the Relating Calculation Date (the “**First Significant Calculation Date**”), the Interest Rate applicable as from the interest period that starts after the First Significant Calculation Date will be the Initial Interest Rate;
- B) if the Financial Parameters are restored on the second Calculation Date subsequent to the Relating Calculation Date (the “**Second Significant Calculation Date**”), the Interest Rate applicable as from the interest period that starts after the Second Significant Calculation Date will be the Initial Interest Rate increased by 0.50% (zero point fifty per cent);
- C) if the Financial Parameters are restored after the Second Significant Calculation Date, the applicable Interest Rate will remain the Initial Interest Rate increased by 1.00% (one per cent).

Interests will be paid when due, on an annual basis, on 10 April of each year (each one “**Payment Date**”), starting from the first Payment Date that will fall on 10 April 2015.

Each Bond will stop accruing Interests on the first of the following dates:

- (i) the Maturity Date; and

- (ii) in case of early redemption pursuant to Article 9 (*Early redemption in favour of the Bondholders*) the Early Redemption Date,

it being understood that, if on the Maturity Date or on the Early Redemption Date the Issuer does not carry out the full redemption of the Loan in compliance with this Loan Regulation, the Bonds will continue to accrue interests only for the portion not redeemed.

The amount of each coupon will be determined by multiplying the Nominal Value of each Bond by the Interest Rate and will be rounded to the nearest cent (0.005 rounded to the highest cent).

Interests will be calculated on the basis of the actual number of days included in the related interest period based on the Actual/Actual (ICMA) convention.

“*Interest period*” means the period between a Payment Date (included) and the next Payment Date (excluded), or, limited to the first interest period, the period between the Issue Date (included) and the first Payment Date (excluded); it being understood that, whereas a Payment Date is to fall on a day other than a Business Day, it will be postponed to the next following Business Day, without this postponement involving any additional amount due in favour of the Bondholders, nor the postponement of the following Payment Dates (*Following Business Day Convention – unadjusted*)

The Issuer, in relation to the Bonds, also acts as calculation agent.

8. Redemption

Without prejudice to the cases of early redemption contemplated in the following Article 9 (*Early redemption in favour of the Bondholders*), the Bond Loan will be redeemed in a lump sum at par value on the Maturity Date.

If the Maturity Date is to fall on a day other than a Business Day, it will be postponed to the next following Business Day, without this postponement involving any additional amount due in favour of the Bondholders.

9. Early redemption in favour of the Bondholders

Each of the following events is a “**Material Event**”:

- (i) **Change of control:** the occurrence of any event or circumstance as a result of which the total amount of equity investments in the share capital of the Issuer held directly or indirectly, jointly or individually by (a) FLIND S.p.A., (b) TTC S.r.l. and/or (c) by the Sponsors, is less than 30% (thirty per cent), it being understood that this provision will not apply in the case in which an equity investment in the share capital of the Issuer of at least 30% (thirty per cent) is held through an agreement pursuant to Article 122 of the Consolidated Law on Finance (T.U.F.), whose purpose is at least the exercise of one's voting rights, in which at least one of the subjects referred to above in letters (a), (b) and (c) has the relative majority;
- (ii) **Non payment:** the non payment by the Issuer, when due, of any amount due in relation to the Bonds, both in terms of principal and in terms of interest, provided that such default continues for a period of at least 10 (ten) days;
- (iii) **Failure to comply with the commitments:** failure to comply by the Issuer of any of the obligations provided within Article 12 (*Commitments of the Issuer*), other than the obligation to comply with the Financial Parameters provided in Article 12 (vi) (*Commitments of the Issuer*), provided that such default continues for a period of at least 30 (thirty) days;
- (iv) **Insolvency proceedings and crisis of the Issuer:** (a) the start against the Issuer of bankruptcy proceedings or other insolvency proceedings by submitting the related petition, unless by the date of the chamber's hearing set forth in Article 15 of royal decree no. 267 of 16 March 1942 (the “**Bankruptcy Law**”), or by the first date fixed by the competent court (as the case may be), the Issuer provides further evidence that the related petition is manifestly

- unfounded or rash, or the petition is waived and the proceedings dismissed, or declared inadmissible or rejected; or (b) failure of the business continuity of the Issuer; or (c) the occurrence of any winding-up cause of the Issuer pursuant to Article 2484 of the Italian Civil Code that is not remedied in accordance with the terms laid down in the same article 2484 of the Italian Civil Code; or (d) the filing by the Issuer with the competent court of an application for an arrangement with creditors pursuant to Article 161, also paragraph 6, of the Bankruptcy Law, or of an application for approval of a restructuring agreement of its debts pursuant to Article 182-*bis* of the Bankruptcy Law; or (e) the formalisation of a recovery plan pursuant to Article 67, paragraph 3, letter (d) of the Bankruptcy Law; or (f) the start by the Issuer of negotiations with even only one of its creditors, in order to obtain moratoria and/or restructuring agreements and/or debt rescheduling (including agreements to be finalised in the forms set forth in Article 182-*bis* of the Bankruptcy Law or in Article 67, paragraph 3, letter (d), of the Bankruptcy Law) and/or out-of-court settlement, and/or in order to carry out transfer of assets to its creditors;
- (v) **Liquidation:** the adoption of a resolution by the competent body of the Issuer with which to approve:
- a) the winding-up of the Issuer itself; or
 - b) the suspension of all the business activity of the Issuer; or
 - c) the suspension of a substantial part of the business activity of the Issuer.
- (vi) **Protests, inscriptions and transcriptions:** the serving with regard to the Issuer of protests of bills of exchange, protests of cheques, registrations of judicial mortgages or registered encumbrances, whose value exceeds Euro 2,000,000.00 (two million/00);
- (vii) **Transfer of assets:** the transfer of assets to creditors by the Issuer pursuant to Article 1977 of the Italian Civil Code;
- (viii) **Failure to comply with laws and regulations:** the failure to comply by the Issuer with laws and regulations, provided that this violation involves a Significant Detrimental Event;
- (ix) **Invalidity or illegality:** the occurrence of any event as a result of which one or more payment obligations of the Issuer pursuant to the Loan Regulation or the Loan Regulation becomes invalid, illegal, or ceases to be effective or enforceable;
- (x) **Delisting:** the adoption of an act or measure the consequence of which is the exclusion of the Bonds from the trading on the ExtraMOT PRO Segment;
- (xi) **Cross default of the Issuer:** the occurrence of a non-fulfilment by the Issuer to any of the payment obligations (other than those arising from the Bonds) deriving from any financial indebtedness of the Issuer, provided that the amount of these payment obligations is greater than Euro 1,000,000.00 (one million/00);
- (xii) **Significant Detrimental Event:** the occurrence of a Significant Detrimental Event;
- (xiii) **Approvals, Consents, Licences:** approvals, consents and/or licences fundamental for the carrying-out of the activity of the Issuer are revoked, expire or fail provided that this involves the occurrence of a Significant Detrimental Event;
- (xiv) **Independent auditors' report:** the Independent Auditors in charge of the audit of the financial statements of the Issuer and/or of the consolidated financial statements of the Group have not audited the aforesaid accounting documents due to the impossibility of giving an opinion, or seriously criticised them.

The certification of the occurrence of a Material Event may occur only through the resolution of the Bondholders' Meeting convened in accordance with the law.

If the Bondholders' Meeting certifies the occurrence of a Material Event, it will have the right to decide on:

- (a) sending to the Issuer of the Request for Early Redemption (as defined below) in accordance with the terms laid down in the next paragraph (the “**Early Redemption Resolution**”); or
- (b) the waiver of the early redemption of the Bonds; or
- (c) the waiver of the early redemption of the Bonds subject to the acceptance by the Issuer of specific amendments to the Loan Regulation.

Request for Early Redemption and Early Redemption Notice

Forty five days after the adoption of the Early Redemption Resolution, the Bondholders will have the right to ask the Issuer (also through the Common Representative, if appointed) the early redemption in full and not partial of the Bond Loan by means of a written request to be sent to the Issuer by certified mail to tesmecspa@pec.it (the “**Request for Early Redemption**”). It is understood that in connection with an Early Redemption Resolution, a single Request for Early Redemption will be sent by the subject appointed by the Bondholders' Meeting (the “**Appointed Subject**”). In case of inertia of the Appointed Subject, there will be no prejudice to the right of each Bondholder to send the Request for Early Redemption.

The Issuer undertakes to immediately inform the Bondholders of any change in the certified e-mail mentioned above, it being understood that, if the Issuer fails to notify, the sending of the Request for Early Redemption to the address mentioned above will be considered valid and effective to all intents and purposes.

The Issuer, forty five days after the adoption of the Early Redemption Resolution, will have the right to carry out the early redemption in full and not partial of the Bond Loan even in the absence of a Request for Early Redemption, prior written notice to the Bondholders (the “**Early Redemption Notice**”).

All the amounts due to the Issuer in relation to the Bond Loan, both in terms of principal and in terms of interest, will be immediately due on the relevant Early Redemption Date, without additional expenses or commissions for the Bondholders, except as hereinafter provided in case of dispute by the Issuer.

Early Redemption Notice and dispute

The Issuer shall promptly inform the Italian Stock Exchange, Monte Titoli and the Noteholders (with the common representative, if appointed, or through authorized intermediaries at Monte Titoli in the absence of a common representative) the receipt of the Request for Advance or Reimbursement the sending of the Notice of Early Redemption, with the specific indication (s) of its Significant Event and (ii) the relevant Early Redemption Date, unless the Issuer itself, by the tenth Business Day following the receipt of the Request for Early Redemption, has objected in writing to the Noteholders the occurrence of the Relevant indicated in this Request for Early Redemption, believing unfounded Request for Early Redemption itself. In this case, the definition of the dispute will be referred (at the request of the Common Representative (if appointed) or the person designated for the purpose by the Bondholders) to the determination of a panel composed of three arbitrators (chosen from among individuals with proven experience in / and the subject / object of the dispute and) one appointed by the Issuer, one by the Common Representative (if appointed) or by the person designated for the purpose by the Bondholders and the third jointly by the first two arbitrators or in the event of disagreement between them, the President of the Court of Vicenza. The arbitration so appointed shall decide in accordance with the provisions of the Code of Civil Procedure relating to arbitration. The arbitration shall be held in Vicenza. The costs related to the resolution of the dispute as described

above will be borne by the losing party , it being understood that the Issuer accepts from now to support these costs , in case the same unsuccessful result , up to a maximum amount of Euro 50,000.00 (fifty thousand/00) . The decision of the Board may be challenged for violation of the rules of law relating to the merits of the dispute. It is expressly understood that if the Common Representative (if appointed) or the person designated for the purpose by the Bondholders or the Issuer to proceed in the face of ordinary jurisdiction , the other party shall have the right , exercisable within a penalty of forfeiture of the appearance response , to raise the objection of lack of jurisdiction of the ordinary courts by virtue of the presence of the arbitration clause . The failure to bring within the response, the exception excludes the jurisdiction limited to the arbitration dispute devolved into that judgment .

10. Status of the Bonds

The Bonds are direct, unconditional and non subordinate to all the other debts of the Issuer and will be considered at any time of the same rank and at least of the same rank with the other non-preference and non-subordinate bonds, present and future of the Issuer, except in any case for the preference bonds of the Issuer according to the general mandatory law provisions.

The Bonds are not and will not be convertible in shares, or in participative instruments of the share capital of the issuer or of any other company. Therefore, the Bondholders will not be given the right to participate directly and/or indirectly in the management of the issuer or control the management of the Issuer and/or of any other company.

11. Guarantees

The Bonds are not secured by any collateral and personal guarantee granted by the Issuer or by third parties.

12. Commitments of the Issuer

For all the duration of the Bond Loan, without prejudice to the other provisions of the Loan Regulation and taking into account that the Issuer is a subject listed on the electronic equity market managed by Borsa Italiana, the Issuer undertakes with regard to the Bonds:

- (i) **(a)** to immediately inform the Bondholders of any change in the business purpose of the Issuer and **(b)** not to change the business purpose of the Issuer in such a way as to allow a significant change in the business carried on by the Issuer;
- (ii) **(a)** not to distribute unappropriated retained earnings of the Issuer existing on the Issue Date and **(b)** to distribute 1) the profit for the period to the extent of 75% (seventy five per cent) of the annual profits achieved by the Issuer and distributable and 2) the reserves set up by the Issuer after the Issue date only within the limits of the voluntary reserves set up against a provision of all or part of the above share of 75% (seventy five per cent) of the profits, in any case provided that no event that can determine a Material Event has occurred or is pending on the relevant distribution date;
- (iii) except for the Permitted Transactions, **(a)** not to approve or carry out acquisitions of investments in the share capital of other companies or other bodies, or acquisitions of businesses or business branches, or mergers and demergers, or share capital increases through contribution of goods in kind (the “**Prohibited Transactions**”); and **(b)** to do whatever is reasonably necessary, within the limits of its powers and rights in relation to the size of its direct or indirect participation, so that no Group company (other than the Issuer) approves or carries out Prohibited Transactions;
- (iv) to notify promptly the Bondholders of the setting-up of one or more assets allocated exclusively to a specific business pursuant to Article 2447 *bis* of the Italian Civil Code;

- (v) (a) not to carry out reductions of the share capital of the Issuer and ensure that they are not carried out, except for the mandatory cases provided by law; and (b) if the share capital of the Issuer is reduced due to losses pursuant to the law, to make sure that the share capital of the Issuer is restored at least by 50% (fifty per cent) of the share capital existing on the Issue Date, as required by applicable law;
- (vi) to make sure that, on each Calculation Date and with reference to the figures resulting from the consolidated financial statements of the Group for the year ended 31 December before such Calculation Date, the following financial parameters are observed (the “**Financial Parameters**”):
 - (a) Net Debt/EBITDA ratio: not greater than 3.251:1;
 - (b) Net Debt/SE ratio: not greater than 1.60:1;
 it being understood that exceeding the Financial Parameters will not constitute a default or a cause of early redemption of the Bond Loan, but may constitute only an Interest-rate Change Event (if the conditions indicated in its definition occur) with resulting effects only on the applicable Interest Rate, as established in Article 7 (*Interests*).
- (vii) not to constitute any Constraint except for Permitted Constraints;
- (viii) except for the Permitted Transactions, not to sell, transfer or dispose otherwise (including by way of example lease out) of any Asset of the Issuer;
- (ix) if the shares of the Issuer are no longer listed on any regulated market, to publish on its website, no later than 10 (ten) Business Days from the relevant date of approval, the financial statements and (if present) the consolidated financial statements related to the last two financial years before the Issue Date, of which at least the last (statutory or consolidated) financial statements are submitted to audit by an external auditor pursuant to Italian Legislative Decree no. 39 of 27 January 2010, as well as to submit to audit by an external auditor pursuant to the aforesaid legislative decree and publish on its website, no later than 10 (ten) Business Days from the relevant date of approval, the financial statements and (if prepared) the consolidated financial statements related to each financial year following the Issue Date until the full redemption of the Bonds;
- (x) if the shares of the Issuer are no longer listed on any regulated market, to publish on its website, no later than 10 (ten) Business Days from the relevant date of approval, a copy of the half-year report and quarterly report, both prepared on a statutory and consolidated basis;
- (xi) in compliance with the laws and regulations applicable to the Issuer as listed company (concerning among other things privileged information, including by way of example the provisions set forth in Articles 181 and 184 of the Consolidated Law on Finance (T.U.F.)), supply Cerved with all the information and documents required and offer the utmost collaboration (allowing Cerved among other things to make factory inspections) so that Cerved is able to monitor on an annual basis the Rating assigned to the Issuer, until the date on which the Bonds are fully redeemed;
- (xii) to immediately inform the Bondholders of any change in the Interest rate, in any case at least 4 (four) Business Days before the beginning of the interest period starting from which this change will be applicable (this notice, the “**Step-Up Notice**”);
- (xiii) if the shares of the Issuer are no longer listed on any regulated market, notify promptly the Bondholders of the occurrence of any natural, technical, administrative, company and tax event (including any request, claim, started or threatened by third parties in writing, and any notice of tax assessment) that may cause a Significant Detrimental Event;
- (xiv) if the shares of the Issuer are no longer listed on any regulated market, notify promptly the Bondholders of the start of any kind of judicial proceedings and/or proceedings started by the Tax Authorities with regard to the Issuer, provided that the disputed amount is greater than Euro 4,000,000.00 (four million/00);

- (xv) not to request for any reason the exclusion of the Bonds from trading on the ExtraMOT PRO Segment (the so-called delisting), or allow such exclusion;
- (xvi) to comply with all the provisions of the Regulation of the ExtraMOT Market in which the Bonds will be traded, in order to avoid any kind of penalty, as well as the exclusion of the Bonds from trading on the ExtraMOT PRO Segment according to the decision of Borsa Italiana;
- (xvii) to diligently comply with all the commitments contemplated pursuant to the Regulation of the ExtraMOT Market, as well as all the commitments undertaken with regard to Monte Titoli, in relation to the centralised management system of the Bonds;
- (xviii) to promptly notify the Bondholders of any suspension and/or withdrawal of the Bonds from trading on the ExtraMOT PRO Segment according to the decision of Borsa Italiana;
- (xix) until the shares of the Issuer will be listed on a regulated market, to diligently comply with all the legislative and regulatory provisions applicable to the Issuer by virtue of the listing of the shares of the Issuer on the STAR segment of the electronic equity market organised and managed by Borsa Italiana S.p.A. or on another regulated market on which the said shares are listed;
- (xx) to make sure that the payment obligations deriving from the Bonds maintain at any time at least the same rank of the other payment obligations, present or future, non subordinate and unsecured, of the Issuer, except for preferential claims by law.

13. Financial parameters

13.1. Exceeding the Financial Parameters

If the issuer believes that an Interest-rate Change Event has occurred on a Calculation Date, it will give prompt notice to the Bondholders by means of a Step-Up Notice.

If:

- a) (i) the Common Representative (if appointed) or the Bondholders (in any case, on the basis of a resolution of the Bondholders adopted in compliance with Article 2415 of the Italian Civil Code) believe that, based on the results of the financial statements, an Interest-rate Change Event has occurred and (ii) the Issuer has not given the Step-Up Notice, or
- b) the Common Representative (if appointed) or the Bondholders (in any case, on the basis of a resolution of the Bondholders adopted in compliance with Article 2415 of the Italian Civil Code) believe that the change in the Interest Rate indicated in the Step-Up Notice given by the Issuer is not correct,

the Common Representative (if appointed) or the Bondholders will give prompt notice to the Issuer by certified e-mail, and the Issuer will be obliged to promptly give the Step-Up Notice, except for the case in which the Issuer, within the next 5 (five) Business Days, challenged in writing the notification of the Common Representative or of the Bondholders (as the case may be).

In case of dispute by the Issuer, the calculation of the Financial Parameters and/or the evaluation of the change in the Interest Rate (as the case may be) will be referred (at the request of a number of Bondholders that hold at least 25% (twenty five per cent) of the total amount of the Bond Loan yet to be redeemed) to the decision of a board consisting of three auditors (or independent auditors), including one appointed by the Issuer, one by the Common Representative (or by the Bondholders) and the third one by mutual consent by the first two appointed subjects.

The costs related to the settlement of the dispute as described above will be to the charge of the losing party, it being understood that the Issuer accepts from now to bear the said costs, should it be the losing party in the lawsuit, for a maximum amount of Euro 50,000.00 (fifty thousand/00).

It is understood that in case of arbitration in favour of the Bondholders, the change in the Interest Rate expected as a result of the violation of the Financial Parameters will be considered applicable starting from the interest period that starts after the date on which the Common Representative or the

Bondholders (as the case may be) attested to the occurrence of the said violation, as subsequently established by the board of arbitration, and that the same procedure will apply *mutatis mutandis* also in case of restoration of the Financial Parameters and subsequent new application of the initial Interest Rate in compliance with what is provided in Article 7 (*Interests*).

The decision of the board may be challenged also for violation of law regulations on the merits of the dispute.

14. Loan servicing

The Interest payment and the capital repayment of the Bonds will be carried out exclusively through the intermediaries compliant with Monte Titoli.

15. Admission to trading

The Issuer filed with Borsa Italiana the request for admission to trading of the Bonds on the ExtraMOT PRO Segment.

The decision of Borsa Italiana and the first day of trading of the Bonds on the ExtraMOT PRO Segment, together with the information functional to trading, are notified by Borsa Italiana with a special notice pursuant to Sec. 11.6 of the Guidelines contained in the Regulation of the ExtraMOT Market.

16. Resolutions and authorisations related to the Bonds

The issue of the Bonds was resolved by the Board of Directors of the Issuer with resolution of 14 March 2014 (the “**Issue resolution**”). In particular, the Issuer resolved to issue the Bonds for a maximum nominal amount totalling Euro 15,000,000.00 (fifteen million/00).

17. Changes

Without the need of a prior consent of the Bondholders, the Issuer may amend the Loan Regulation as it deems necessary or only appropriate, for the sole purpose of eliminating material errors, ambiguities or inaccuracies in the text or in order to supplement it, provided that these changes do not affect the rights and interests of the Bonds and are solely for their benefit, and that they are promptly notified to the Bondholders in accordance with the provisions of Article 22 (*General business*) below.

Except for what is provided in the previous paragraph, the conditions set forth in the Loan Regulation may be amended by the Issuer prior written consent by the Bondholders' Meeting.

18. Statute of limitation and expiry

The rights of the Bonds are barred by the statute of limitation in favour of the Issuer, for what concerns the Interest payment entitlement, after five years from the date on which these become eligible and, for what concerns the capital repayment entitlement, after ten years from the date on which the Bonds become redeemable.

19. Tax system

Present and future taxes that are applicable by law to the Bonds and/or to the related interests, premiums and other gains are to the charge of the Bondholders; no additional payment will be charged to the Issuer.

The Bondholders are obliged to consult their tax advisors with regard to the tax system applicable in Italy of purchase, holding and sale of Bonds.

20. Bondholders' Meeting

The Bondholders, for the protection of common interests, can come together in a meeting (the “**Bondholders' Meeting**”).

All the costs related to the Bondholders' Meetings and to the related resolutions are to the charge of the Issuer if the meeting was convened by the Issuer and/or is the result of a violation of a commitment of the Issuer pursuant to the Loan Regulation.

All the costs related to the appointment and maintenance of the Common Representative (including the related commissions) are to the charge of the Issuer.

In compliance with Article 2415 of the Italian Civil Code, the Bondholders' Meeting decides (by majority vote as required by Article 2415 of the Italian Civil Code):

- (a) on the appointment and removal of the common representative (the “**Common Representative**”);
- (b) on the amendments to the conditions of the Bond Loan;
- (c) on the proposal for settlement;
- (d) on the setting-up of a provision for the expenses necessary to protect common interests and on the related report; and
- (e) on other matters of common interest of the Bondholders.

All the resolutions of the Bondholders' Meeting set forth in the previous Article 9 (*Early redemption in favour of the Bondholders*) must be passed with the favourable vote of the Bondholders that represent at least half of the Bonds in issue.

If appointed, all the notifications by the Bondholders will take place by means of the Common Representative.

The provisions set forth in Articles 2415 et sequitur of the Italian Civil Code apply.

21. Governing law and jurisdiction

The Bond Loan is governed by the Italian law.

The Court of Vicenza will have exclusive jurisdiction over any dispute concerning the Bond Loan or this Loan Regulation arising between the Issuer and the Bondholders.

22. General business

Unless otherwise provided, all the notices of the Issuer to the Bondholders will be considered valid if made by means of Monte Titoli and by publishing on the website of the Issuer at the following address: www.tesmec.com.

The subscription or purchase of the Bonds implies the full acceptance of all the conditions laid down in this Loan Regulation that is supplemented, for all matters not provided, by the laws and regulations in force on the subject.

5. ADMISSION TO TRADING AND RELATED PROCEDURE

5.1 Request for admission to trading

The Issuer filed with Borsa Italiana the request for admission to trading of the Bonds on the Professional Segment (ExtraMOT PRO) of the ExtraMOT Market. The decision of Borsa Italiana and the first day of trading of the Bonds on the Professional Segment (ExtraMOT PRO) of the ExtraMOT Market, together with the information functional to trading, are notified by Borsa Italiana with a special notice pursuant to Sec. 11.6 of the guidelines contained in the Regulation of the ExtraMOT Market.

5.2 Other regulated markets and multilateral trading systems

On the date of this Admission Document, the Bonds are not listed on another regulated market or multilateral trading system or Italian or foreign equivalent and the Issuer does not contemplate, at present, to apply for admission to listing of the Bonds on other regulated markets or multilateral trading systems other than the ExtraMOT Market.

5.3 Intermediaries in transactions on the secondary market

There are no subjects that have undertaken to act as intermediaries on the secondary market.

6. USE OF INCOME DERIVING FROM THE BOND LOAN

The Issuer intends to use the income deriving from the subscription of the Bond Loan for the development of the strategy of the TESMEC Group, which contemplates: i) the strengthening of its leadership position in the area of the traditional Trencher and Stringing equipment segments ii) technological innovation and extension of the product range and technologies in the Railway and Grid Efficiency segments, in particular; iii) the enhancement of the phases of post-sales services; iv) the development of integrated supply services; v) the continuation of the geographical expansion; vi) the increase in the use of the TESMEC Group systems in replacement of traditional technologies; vii) the development of service activities; viii) increased production capacity and flexibility.

7. RESTRICTIONS TO THE CIRCULATION OF THE BONDS

Pursuant to the Subscription Agreement signed near the Issue Date, the Subscribers undertook to subscribe 100% (one hundred per cent) of the nominal amount of the Bonds and to pay, upon the occurrence of certain conditions precedent provided therein, the subscription price of the Bonds.

Pursuant to the Subscription Agreement, the Issuer and the Subscriber/s declared that:

- (a) no action has been or will be taken in relation to the Bonds by them, their affiliates or any other person acting on their behalf, which allows a public offer of financial products in Italy or abroad, if not in accordance with the related legislation on financial instruments, tax and other applicable laws and regulations. Individual offers of Bonds in Italy or abroad can be made only in accordance with the related legislation on financial instruments, tax and other applicable laws and regulations;
- (b) they did not start any public offer with CONSOB to obtain from it the approval of the offer document in Italy;
- (c) it has not promoted any offer of Notes in the United States of America, Canada, Australia, Japan or in any other country in which the placement is not allowed by the competent authority (the "Excluded Countries"); Therefore, the Notes will not be registered under the U.S. Securities Act of 1933 (as amended), or pursuant to the corresponding regulations in force in Canada, Australia, Japan or any other Excluded Countries;
- (d) any offer, sale or placement of the Bonds in Italy will be carried out only by banks, investment firms or financial companies authorised to carry out such activities in Italy pursuant to Italian Legislative Decree no. 385 of 1 September 1993, as amended, of the Consolidated Law on Finance (T.U.F.), of CONSOB regulation no. 16190 of 29 October 2007 and pursuant to any other applicable law or regulation and in compliance with any other notification or restriction that can be imposed by CONSOB, by the Bank of Italy or by another competent Authority.

In relation to the subsequent circulation of the Bonds in Italy, Article 100-*bis* of the Consolidated Law on Finance (T.U.F.) requires also the observance on the secondary market of the public offering rules and of the reporting obligations established in the Consolidated Law on Finance (T.U.F.) and related CONSOB implementing regulations, unless the subsequent circulation mentioned above is exempt from these standards and requirements pursuant to the Consolidated Law on Finance (T.U.F.) and related CONSOB implementing regulations.
