



# FINMEK

OFFERING CIRCULAR DATED 30 NOVEMBER 2001

**FINMEK INTERNATIONAL S.A.**  
*(incorporated with limited liability under the laws of the Grand Duchy of Luxembourg)*

**Euro 150,000,000**  
**7 per cent. Guaranteed Notes due 2004**  
**guaranteed by**

**FINMEK S.p.A.**  
*(incorporated with limited liability under the laws of the Republic of Italy)*

The issue price of the Euro 150,000,000 7 per cent. Guaranteed Notes due 2004 (the "Notes") of Finmek International S.A. (the "Issuer") is 99.673 per cent. of their principal amount in relation to Euro 125,000,000 principal amount of Notes and 99.04 per cent. of their principal amount in relation to Euro 25,000,000 principal amount of Notes.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date (as defined in "Terms and Conditions of the Notes - Interest") falling on 3 December 2004. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer on any Interest Payment Date in the event of certain changes affecting taxation in the Grand Duchy of Luxembourg ("Luxembourg") or the Republic of Italy ("Italy"). See "Terms and Conditions of the Notes - Redemption and Purchase". The Notes are subject to redemption at their principal amount at the option of the Noteholders upon the occurrence of a Change of Control. See "Terms and Conditions of the Notes - Redemption and Purchase".

The Notes will bear interest from 3 December 2001 at the rate of 7 per cent. per annum payable annually in arrears commencing on 3 December 2002. Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by Luxembourg or Italy to the extent described under "Terms and Conditions of the Notes - Taxation". Finmek S.p.A. (the "Guarantor") will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Sole Bookrunner (as defined in "Subscription and Sale") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

For a discussion of certain risks and other factors that should be considered in connection with an investment in the Notes, see "Investment Considerations" below.

The Notes will be in bearer form and in the denominations of Euro 1,000 and Euro 10,000 each. The Notes will initially be in the form of a temporary global note (the "Temporary Global Note"), without interest coupons, which will be deposited on or around 3 December 2001 (the "Closing Date") with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "Permanent Global Note"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denominations of Euro 1,000 and Euro 10,000 each and with interest coupons attached. See "Summary of Provisions Relating to the Notes in Global Form".

Sole Bookrunner  
**Caboto (Gruppo IntesaBci)**

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Each of the Issuer and the Guarantor has confirmed to the Sole Bookrunner that this Offering Circular contains all information regarding the Issuer, the Guarantor, the Guarantor together with its consolidated subsidiaries (the “Group”) and the Notes which is (in the context of the issue and offering of the Notes and the giving of the guarantee of the Notes (the “Guarantee”)) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing. Each of the Issuer and the Guarantor accepts responsibility for the information contained in this document.

This Offering Circular should be read and constructed with any documents incorporated by reference.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor, the Group or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Sole Bookrunner.

The Sole Bookrunner has not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Sole Bookrunner as to the accuracy or completeness of this Offering Circular or any further information supplied in connection with the Notes. The Sole Bookrunner accepts no liability in relation to this Offering Circular or any document forming part of this Offering Circular or the distribution of any such document or with regard to any other information supplied by or on behalf of the Issuer or the Guarantor. Each investor contemplating purchasing Notes shall make its own independent investigation of the financial condition and affairs, and its own appraisal of the credit-worthiness, of the Issuer, the Guarantor and the Group.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise), general affairs or prospects of the Issuer, the Guarantor or the Group since the date of this Offering Circular.

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

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

This Offering Circular has not been submitted to the clearance procedure of *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) and may not be used in connection with any offering of the Notes in Italy other than to professional investors, as defined by and in accordance with applicable Italian securities laws and regulations.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered in the United States or to U.S. persons. In addition, neither the Issuer nor the Guarantor has authorised any offer of Notes to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "Regulations"). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

In this Offering Circular, unless otherwise specified, references to "EUR", "Euro" and "€" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union; references to "Italian Lire", "Italian Liras", "Lire" and "Lit." are to the currency of Italy constituting a component of the Euro and being legal tender therein. Unless stated otherwise, Italian Lire amounts in this Offering Circular have been translated into Euro at the fixed conversion rate established in connection with the implementation of the third stage of the European Economic and Monetary Union of Lit. 1,936.27 per Euro. References to "billions" are to thousands of millions.

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

In connection with this issue, and after all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") come into force, the Stabilising Manager (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there shall be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws, regulations and rules.

### FORWARD-LOOKING STATEMENTS

Certain sections of this Offering Circular contain various forward-looking statements which represent management's expectations or beliefs concerning the future events and are subject to known and unknown risks and uncertainties. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as "believes", "expects", "may", "should", "seeks", "anticipates" or "intends" or other similar expressions or by discussions of strategy or intentions. A number of factors could cause actual results, performance or events to be materially different from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the following: the competitive environment of the Group's business in general and in the Group's specific market segments; changes in or failure to comply with EU or local safety, environmental or other regulations; economic conditions in general and in the Group's specific market segments; changes in operating strategy or development plans and other factors. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof, and consider carefully the Investment Considerations discussed below when analysing a prospective investment in the Notes offered hereby.

### DOCUMENTS INCORPORATED BY REFERENCE

The following financial statements of the Guarantor are incorporated by reference into this Offering Circular:

- the audited consolidated financial statements as at and for the year ended 31 December 2000;
- the audited unconsolidated financial statements as at and for the years ended 31 December 1999 and 2000, respectively; and
- the unaudited interim consolidated and unconsolidated financial statements as at and for the six months ended 30 June 2001.

Copies of such financial statements are available free of charge at the Specified Office of any Paying Agent in Luxembourg and at the registered offices of the Issuer and the Guarantor for so long as any of the Notes remain outstanding.

## PRESENTATION OF FINANCIAL INFORMATION

All of the financial statements relating to the Guarantor incorporated by reference herein have been prepared in accordance with accounting principles prescribed by Italian law, as interpreted and supplemented by the accounting principles issued by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (collectively, "Italian GAAP"). Certain accounting principals applied by the Guarantor that conform with Italian GAAP may not conform with accepted accounting principals in other countries. This Offering Circular contains certain summary financial information based on such financial statements although certain line items thereof have been reclassified in order to present them in a format that more closely follows international practice. Such line items in the summary financial information may not therefore be readily reconcilable with the foregoing financial statements.

The Group consummated a number of acquisitions during 2000 and the first six months of 2001. In particular, the Group acquired Finmek PBA S.p.A. in July 2000 and Finmek Seima Elettronica S.r.l. (previously known as Seima Elettronica S.r.l.) ("Seima") in August 2000. The financial statements of Finmek PBA S.p.A. and Seima were consolidated in the Guarantor's financial statements as of 1 January 2000 and as of 1 August 2000, respectively. However, since under Italian legislation pro-forma financial statements were not required, such statements have not been prepared for any of the periods presented herein. Therefore, the financial information contained herein does not always include the results of operations relating to such companies. Summary unaudited financial information on Seima is included for the years 1999 and 2000 in "Description of the Guarantor – Recent Developments".

In addition, the Group acquired and sold other companies during 2000 and 2001. Specifically, the Group acquired CMS S.p.A. in December 2000, Ixtant S.p.A. in January 2001 and Access Media S.p.A. in April 2001 and later in 2001 sold or agreed to sell all or substantially all of such companies. Accordingly, the financial information of the Group contained herein does not consolidate such companies on a line-by-line basis. For further financial information relating to the Guarantor and to the aforesaid acquisitions and disposals see "Summary Financial Information Relating to the Guarantor" and "Description of the Guarantor – History and Corporate Structure".

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which (subject to completion and amendment) will be endorsed on each definitive Note, if issued:

The €150,000,000 7 per cent. Guaranteed Notes due 2004 (the "Notes", which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Finmek International S.A. (the "Issuer") are the subject of: (a) a deed of guarantee dated 3 December 2001 (as amended or supplemented from time to time) (the "Deed of Guarantee") entered into by Finmek S.p.A. (the "Guarantor"); (b) a fiscal agency agreement dated 3 December 2001 (as amended or supplemented from time to time, the "Fiscal Agency Agreement") between the Issuer, the Guarantor, BNP Paribas Luxembourg as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes); and (c) a deed of covenant dated 3 December 2001 (the "Deed of Covenant") entered into by the Issuer. Certain provisions of these Conditions are summaries of the Deed of Guarantee and the Fiscal Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "Noteholders") and the holders of the related interest coupons (the "Couponholders" and the "Coupons", respectively) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee, the Fiscal Agency Agreement and the Deed of Covenant applicable to them. Copies of the Deed of Guarantee, the Fiscal Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. Form, Denomination and Title

The Notes are in bearer form in the denominations of €1,000 and €10,000, with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

### 2. Status and Guarantee

- (a) *Status of the Notes:* The Notes constitute direct, general, unconditional, unsubordinated and, subject to Condition 3 below, unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application or, in the event of the insolvency of the Issuer, only to the extent permitted by applicable laws relating to creditors' rights.
- (b) *Guarantee of the Notes:* The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the "Guarantee of the Notes") constitutes direct, general, unconditional, unsubordinated and, subject to Condition 3 below, unsecured obligations of the Guarantor which will at all times rank *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application or, in the event of the insolvency of the Guarantor, only to the extent permitted by applicable laws relating to creditors' rights.

### 3. Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Fiscal Agency Agreement):

- (a) neither the Issuer nor the Guarantor shall create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Indebtedness or any Guarantee of any Indebtedness of any person; and
- (b) the Guarantor shall procure that none of its Subsidiaries will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its

present or future undertaking, assets or revenues to secure any Indebtedness or any Guarantee of any Indebtedness of any person,

without at the same time or prior thereto: (i) securing the Notes equally and rateably therewith; or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

#### 4. Financial Covenants

4.1 *Limitations on Net Borrowings:* So long as any of the Notes remains outstanding (as defined in the Fiscal Agency Agreement), the Guarantor shall ensure that the financial condition of the Finmek Group shall be such that:

- (i) at any time prior to the Initial Public Offering, the Consolidated Net Borrowings of the Guarantor for any Relevant Period shall not exceed €350,000,000; and
- (ii) at any time after the Initial Public Offering, the Net Borrowings Ratio of the Guarantor for any Relevant Period shall not be greater than 4 to 1;

*provided that* for the Relevant Period in which the Initial Public Offering occurs, the requirement set out in paragraph (ii) above shall apply.

4.2 *Restrictions on Disposals of Assets:* At any time prior to the Initial Public Offering, the Issuer and the Guarantor will not, and the Issuer and the Guarantor will procure that each of their respective Subsidiaries will not, enter into any Asset Sale unless upon the completion of such transaction, the Issuer, the Guarantor, or the relevant consolidated Subsidiary, as the case may be, shall apply, within 6 months of the effective date of each such transaction, the Net Cash Proceeds relating to such transaction either:

- (i) in repaying any senior Indebtedness (being Indebtedness which is not subordinated in right of payment to other unsecured obligations) of the Issuer, the Guarantor or such Subsidiary, as the case may be; or
- (ii) in purchasing other assets equivalent or superior as to type with those sold pursuant to the Asset Sale for use in the Core Business Activities of the Guarantor or any of its Subsidiaries.

4.3 *Financial Testing:* The financial conditions set out in Condition 4.1 shall be tested by reference to each of the Guarantors' consolidated financial statements and the Compliance Certificate (as defined below) for the Relevant Period delivered pursuant to Condition 4.4, and for the first time in respect of the Guarantor's consolidated financial statements for the Relevant Period in respect of the financial year commencing 1 January 2001.

4.4 *Delivery of Financial Information:* The Guarantor shall, as soon as the same become available and in any event no later than 30 days following the approval of the non-consolidated financial statements of the Guarantor by its shareholders, deliver to the Fiscal Agent ten copies of its consolidated financial statements for the Relevant Period, approved by its shareholders and audited by an internationally recognised firm of independent auditors. The Guarantor shall ensure that each set of consolidated financial statements is, without prejudice to Condition 4.5: (i) prepared in accordance with accounting principles generally accepted in the Republic of Italy ("Italy") and consistently applied; and (ii) accompanied by a compliance certificate (the "Compliance Certificate") in the form set out in Schedule 7 to the Fiscal Agency Agreement signed by an authorised signatory of the Guarantor, certifying compliance by the Guarantor for the Relevant Period with the requirements as to the financial condition of the Finmek Group specified in Condition 4.1. So long as any of the Notes remain outstanding (as defined in the Fiscal Agency Agreement), the Guarantor shall make available for inspection by any Noteholder and Couponholder, free of charge and at the specified office of each Paying Agent, the consolidated financial statements of the Guarantor for the Relevant Period and the Compliance Certificate, together with such description of changes and adjustments and such other information referred to in Condition 4.5 as may be necessary.

4.5 *Accounting Principles:* The Guarantor shall ensure that each set of consolidated financial statements delivered pursuant to Condition 4.4 is prepared using accounting principles, practices and procedures consistent with those applied in the preparation of the Original Consolidated Financial Statements unless, in relation to any such set of financial statements, the Guarantor notifies the Fiscal Agent that there have been one or more changes in such accounting policies, practices and procedures and provides the Fiscal Agent with: (i) a description of the changes and the adjustments which would be required to render such financial statements consistent with the accounting policies, practices and procedures used in the preparation of the Original Consolidated Financial Statements; and (ii)

sufficient information, in such detail and format as may be reasonably necessary, to make an accurate comparison between the financial position indicated by such financial statements and the Original Consolidated Financial Statements, and any reference in this Condition 4 to such financial statements shall be construed as a reference to such financial statements as adjusted to reflect the basis upon which the Original Consolidated Financial Statements were prepared.

#### 5. Interest

- (a) *Accrual of interest:* The Notes bear interest on their outstanding principal amount from 3 December 2001 (the "Issue Date") at the rate of 7 per cent. per annum (the "Rate of Interest"), payable in arrears on 3 December in each year (each, an "Interest Payment Date"), subject as provided in Condition 7 (Payments).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (b) The amount of interest payable on each Interest Payment Date shall be Euro 70 in respect of each Note of Euro 1,000 denomination and Euro 700 in respect of each Note of Euro 10,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

"Regular Period" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

#### 6. Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount, on the Interest Payment Date falling on 3 December 2004, subject as provided in Condition 7 (Payments).

- (b) *Early redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their outstanding principal amount, together with interest accrued to the date fixed for redemption, if: (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the Grand Duchy of Luxembourg ("Luxembourg") or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of relevant jurisdiction), which change or amendment becomes effective on or after the Issue Date and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 8 (Taxation) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it; *provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.* Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect

such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of a nationally recognised tax counsel to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

- (c) *No other redemption by the Issuer:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) and (b) above.
- (d) *Early redemption Change of Control:* Upon the occurrence of a Change of Control (as defined in Condition 16), and in no event later than 30 days following the publication of the Change of Control Notice referred to below, any Noteholder may deliver or cause to be delivered to each of the Fiscal Agent, the Issuer and the Guarantor at its respective specified office, written notice that such Noteholder elects to declare all Notes held by him to be due and payable, and on the Change of Control Payment Date (as defined below), the principal amount of the relevant Notes, together with accrued interest thereon (in accordance with Condition 5) up to such Change of Control Payment Date shall become due and payable. Upon the occurrence of a Change of Control, and in no event later than 30 days from the date it took place the Issuer, failing whom the Guarantor, shall give notice thereof (the "Change of Control Notice") to the Noteholders in accordance with Condition 15 below. Such notice shall state: (i) that a Change of Control has occurred; (ii) that each Noteholder may elect to declare all Notes held by him to be due and payable; and (iii) the date of the early redemption upon election by the Noteholders (the "Change of Control Payment Date"), which shall be not earlier than 40 days nor later than 45 days from the date the Change of Control Notice is given. Failure to give the requisite notice to Noteholders within the time provided above shall constitute an Event of Default under Condition 9 below.

No early redemption option exercised may be withdrawn.

Noteholders may not exercise the early redemption option contemplated herein in respect of Notes which are the subject of an exercise by the Issuer of its option to redeem such Notes under Condition 6(b).

- (e) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes (provided that in the case of Notes in definitive form, all unmatured Coupons are purchased therewith) in the open market or otherwise and at any price. In the case of a purchase by tender, such tender must be made available to all holders of the Notes alike.

At the option of the Issuer, the Guarantor or any of their respective Subsidiaries, as the case may be, any Notes purchased as aforesaid may be held or resold or may be surrendered to the Fiscal Agent for cancellation together with, in the case of Notes in definitive form, all unmatured Coupons, if any, appertaining thereto. Any Notes so purchased or otherwise redeemed, while held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purpose of Condition 13(a) (*Meetings of Noteholders; Modification and Waiver – Meetings of Noteholders*).

- (f) *Cancellation:* All Notes so redeemed or purchased and subsequently surrendered for cancellation by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 7. Payments

- (a) *Principal:* Payments of principal shall, subject to paragraph (g) below, be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee in a city in which banks have access to the TARGET System.
- (b) *Interest:* Payments of interest shall, subject to paragraph (g) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Unmatured Coupons void:* On the due date for final redemption of any Note pursuant to Condition 6(a) (*Scheduled redemption*), early redemption of such Note pursuant to Condition 6(b) (*Early redemption for tax reasons*) or Condition 9 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment shall be made in respect thereof.
- (e) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (f) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (g) *Payments on TARGET Settlement Day:* If the due date for payment of any amount in respect of any Note or Coupon is not a TARGET Settlement Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding TARGET Settlement Day and shall not be entitled to any further interest or other payment in respect of such delay.
- (h) *Interpretation:* In these Conditions, “**TARGET Settlement Day**” means any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system (the “**TARGET System**”) is open; and “**Euro-zone**” means the region comprised of member states of the European Union which adopt the Euro in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union.

## 8. Taxation

All payments of principal and interest in respect of the Notes and the Coupons (including payments by the Guarantor under the Guarantee of the Notes) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Luxembourg or Italy or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (a) presented for payment by a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Luxembourg or (as the case may be) Italy other than the mere holding of such Note or Coupon; or
- (b) presented for payment by a holder which would have been entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption, but has failed to do so; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26/27 November 2000, or any law implementing or complying with, or introduced in order to conform to, such Directive (together, the “**Directive**”); or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member State of the European Union.

In these Conditions, "Relevant Date" means whichever is the later of: (i) the date on which the payment in question first becomes due; and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than Luxembourg or Italy, respectively, references in these Conditions to Luxembourg or Italy shall be construed as references to Luxembourg or (as the case may be) Italy and/or such other jurisdiction.

## 9. Events of Default

If any of the following events occurs:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on or within five Business Days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Guarantee, the Fiscal Agency Agreement or the Deed of Covenant, and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or
- (c) *Cross-default of Issuer, Guarantor or Material Subsidiary*:
  - (i) any Indebtedness of the Issuer, the Guarantor or any Material Subsidiary (as the case may be) is not paid within 30 days after its due date or within 30 days of the expiry of any applicable grace period;
  - (ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of default of the Issuer, the Guarantor or (as the case may be) the relevant Material Subsidiary; or
  - (iii) the Issuer, the Guarantor or any Material Subsidiary fails to pay within 30 days of its due date or within 30 days of the expiry of any applicable grace period any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €20,000,000 (or its equivalent in other currencies); or

- (d) *Unsatisfied judgment*: one or more enforceable judgment(s) or order(s) for the payment of any amount/an aggregate amount in excess of €20,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after such party has received notice thereof, unless an appeal or other such proceeding for review is made in good faith by the Issuer, Guarantor or relevant Material Subsidiary to dispute such judgment or order, or after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary to secure a claim or claims the amount/aggregate amount of which is in excess of €20,000,000 (or its equivalent in any other currency or currencies) unless discharged, stayed or removed within 30 days thereof or is being contested in good faith in the appropriate legal forum; or
- (f) *Insolvency etc*: (i) the Issuer, the Guarantor or any Material Subsidiary is declared insolvent by an entity of competent jurisdiction and such declaration is not set aside within 30 days or is unable to pay its debts as they fall due; (ii) an administrator, bankruptcy receiver or liquidator of the Issuer, the Guarantor or any Material Subsidiary or the whole or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any such Material Subsidiary is appointed by an entity of competent jurisdiction and such appointment is not set

aside within 30 days; (iii) the Issuer, the Guarantor or any Material Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it and such action is not discharged with 30 days thereof; or

- (g) *Ceasing to carry on business*: the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business; or
- (h) *Winding up etc*: an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding up, liquidation or dissolution under applicable law of the Issuer, the Guarantor or any Material Subsidiary (otherwise than, in the case of a Material Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (i) *Analogous event*: any event occurs which under the laws of Luxembourg or Italy or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) to (h) above; or
- (j) *Failure to take action etc*: any action, condition or thing at any time required to be taken, fulfilled or done in order: (i) to enable the Issuer and/or the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Coupons, the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee; (ii) to ensure that those obligations are legal, binding and enforceable; and (iii) to make the Notes, the Coupons, the Fiscal Agency Agreement, the Deed of Covenant and Deed of Guarantee admissible in evidence in the courts of England, Luxembourg and Italy is not taken, fulfilled or done; or
- (k) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Coupons, the Fiscal Agency Agreement, the Deed of Covenant or the Deed of Guarantee; or
- (l) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (m) *Controlling shareholder*: the majority of the share capital of the Issuer ceases to be owned by the Guarantor directly or indirectly,

then any Note may, by written notice addressed by the holder thereof (and, in respect of the events described in paragraph (c) above, by written notice from holders representing at least 10 per cent. of the principal amount of the Notes outstanding) to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

#### **10. Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

#### **11. Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### **12. Paying Agent**

In acting under the Fiscal Agency Agreement and in connection with the Notes and Coupons, the Paying Agents act solely as agent for the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agent and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all

times maintain a paying agent in Luxembourg and a fiscal agent. Notice of any change in the Paying Agent or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 15 (Notices).

The Issuer undertakes that, if the conclusions of the ECOFIN Council meeting of 26-27 November 2000 are implemented, it will ensure that it maintains a Paying Agent in an European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusion or any law implementing or complying with, or introducing to conform to such Directive.

### 13. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be conveyed by them upon the request in writing of Noteholders holding not less than one-fifth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “Reserved Matter”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one more than half of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

The provisions of articles 86 to 94-8 of the Luxembourg Company Act of 10 August 1915, as amended shall not apply to the Notes, the Coupons or the Fiscal Agency Agreement.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Guarantee may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

### 14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes, provided that the Guarantor executes a guarantee for such further issues.

### 15. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, so long as the Notes are listed on the Luxembourg Stock Exchange, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

## 16. Definitions

In these Conditions, the following terms shall have the following meanings:

“**Asset Sale**” means any sale, lease, sale leaseback, transfer, charge or other disposal of assets for consideration in excess of €30,000,000, whether by a single transaction or by a series of transactions by the Issuer, the Guarantor, or any of their respective consolidated Subsidiaries provided, however, that the disposal of an asset which is obsolete and for which no open market value based on such asset’s original purpose or function can be ascertained, shall be excluded.

“**Business Day**” means any day on which commercial banks are open for business in both Milan and the city of Luxembourg.

“**Cash Equivalents**” means any obligations (including, without limitation, any certificates of deposit, bills, bonds, notes, debentures, loan stock or other debt instruments) which in any such case have a maturity falling no more than 90 days from the date of which the relevant Asset Sale is completed and which are issued, accepted or guaranteed by any member state of the European Union, the United States, Japan or Switzerland or any bank operating through a branch in any member state of the European Union, the United States, Japan or Switzerland.

“**Change of Control**” means the Permitted Holder ceasing to be the owner, directly or indirectly, beneficially or of record, of shares representing the largest shareholding with respect to the aggregate ordinary voting power represented by the issued and outstanding Voting Stock of the Guarantor. For the purposes hereof, shares held by any Persons who are parties to the same shareholders agreement shall be deemed to constitute a single shareholding.

“**Consolidated Financial Indebtedness**” means, for any Relevant Period, the aggregate amount of all obligations of the Finmek Group for or in respect of: (i) indebtedness for borrowed money (*debiti verso banche and debiti verso altri finanziatori*); and (ii) bonds and other similar debt instruments (*obbligazioni e titoli similari*), all as determined by reference to the consolidated financial statements of the Guarantor for the Relevant Period prepared in accordance with, and the certificate delivered pursuant to Condition 4.3.

“**Consolidated Net Borrowings**” means, for any Relevant Period, the Consolidated Financial Indebtedness, net of the aggregate amount of freely available cash and cash equivalents (the latter being cash at banks or post-offices and short-term equivalents) and certificates of deposit held by any member of the Finmek Group (and so that no amount shall be included or excluded more than once), all as determined by reference to the consolidated financial statements of the Guarantor for the Relevant Period delivered pursuant to, Condition 4.3; provided, however, Consolidated Net Borrowings shall not include Indebtedness which (i) was incurred by any member of the Finmek Group in connection with (but not for the purposes of) the purchase of property or assets, and (ii) existed prior to the date of purchase.

“**Consolidated Shareholders’ Equity**” means, for any Relevant Period, the aggregate of the amounts paid up or credited as paid up on the issued share capital of the Guarantor and of the reserves of the Finmek Group (including, but not limited to, any amount credited to the share premium reserve, retained earnings, statutory reserves, other reserves, any balance standing to the credit of the consolidated income statement of the Finmek Group, third parties’ minority interests) less any debit balance on the consolidated income statement of the Finmek Group or pertaining to third parties’ minority interests, (and so that no amount shall be included or excluded more than once) all as determined by reference to the consolidated financial statements of the Guarantor for the Relevant Period delivered pursuant to Condition 4.3.

“**Core Business Activities**” means the activities of the Finmek Group in the areas of electronic manufacturing services (EMS), precision mechanics and electromechanics, and information communication technology (ICT).

“**Finmek Group**” means the Guarantor and its consolidated Subsidiaries from time to time.

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness.

**"Indebtedness"** means any present or future indebtedness of any Person for money borrowed or raised, whether principal, premium, interest or other amounts, including (without limitation) any indebtedness for or in respect of:

- (a) any notes, debentures, debenture stock, loan stock or other securities which are, or are capable of being, quoted, listed or ordinarily dealt in or on any securities market (including any over-the-counter market), or on or by any regulated stock exchange, listing authority and/or quotation system;
- (b) any bank borrowing; or
- (c) amounts raised under any other transaction having the commercial effect of a borrowing.

**"Initial Public Offering"** means an underwritten public offering, flotation listing or quotation of ordinary shares of the Guarantor which has been admitted on the Mercato Telematico Azionario, Nuovo Mercato or a similar stock exchange and trading in such shares has begun.

**"Material Subsidiary"** means a direct or indirect Subsidiary of the Guarantor whose consolidated or unconsolidated annual sales or gross assets represent 10 per cent. or more of, as applicable, the consolidated annual sales or assets of the Finmek Group on the basis of the most recent prior year-end audited financial statements of each such company.

**"Net Borrowings Ratio"** means, in relation to the Finmek Group, the ratio of Consolidated Net Borrowings to Consolidated Shareholders' Equity.

**"Net Cash Proceeds"** means with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents and any cash or Cash Equivalents held in a retention account upon release therefrom, in each case received by such Asset Sale net of:

- (a) out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting, investment banking and brokerage fees and sales commissions); and
- (b) taxes paid or payable after taking into account any reduction in consolidated tax liability due to available tax credits or deductions.

**"Original Consolidated Financial Statements"** means the audited consolidated financial statements of the Guarantor for its financial year ended 31 December 2000;

**"Permitted Holder"** means collectively Mr. Carlo Fulchir, his spouse(s), heirs, lineal ancestors, lineal descendants and legatees and legal representatives of any of the foregoing and the trustee of any bona fide trust of which one or more of the foregoing are the beneficiaries, and any Subsidiary of any of the foregoing.

**"Permitted Security Interest"** means:

- (a) any Security Interest in existence on the Issue Date to the extent that it secures Indebtedness outstanding on such date; or
- (b) any Security Interest arising by operation of law in the ordinary course of business of the Issuer, the Guarantor or any of their respective Subsidiaries which has not been enforced against the assets to which it attaches; or
- (c) any Security Interest over any property or assets purchased by the Issuer, the Guarantor or any of their respective Subsidiaries, as the case may be, which existed prior to the date of purchase, *provided that* such Security Interest was not created in connection with or in contemplation of such purchase; or
- (d) any Security Interest created subsequent to the Issue Date over any property or assets of the Issuer, the Guarantor or any of their respective Subsidiaries coming into existence or deemed to come into existence in the context of a sale and lease-back transaction of such assets or property of the Issuer, Guarantor or of any such Subsidiary.

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

**"Preferred Shares"** as applied to the Share Capital of any Person, means Share Capital of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares or Share Capital of any other class of such Person.

“**Relevant Period**” means each period commencing on the first day of the Guarantor’s financial year and ending on the last day of the Guarantor’s financial year.

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction (excluding, for the avoidance of doubt, any Guarantee).

“**Share Capital**” of any Person means any shares, interests, rights to purchase, warrants, options, participations or other equivalent of or interests (however designated) in equity of such Person, including any Preferred Shares, but excluding any debt securities convertible into such equity.

“**Subsidiary**” means, in relation to any Person (the “**First Person**”) at any particular time, any other Person (the “**Second Person**”):

- (a) who has the power to control, by ownership of share capital, or has the power to appoint or remove members of the governing body of the Second Person; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated on a line-by-line basis with those of the First Person.

“**Voting Stock**” of a Person means all classes of Share Capital of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote on the election of directors thereof.

*Provided that* all expressions used in these Conditions which are not otherwise defined herein shall be construed in accordance with generally accepted accounting principles in Italy (as used in the Original Consolidated Financial Statements).

#### 17. **Currency Indemnity**

The currency of account and payment for all sums payable by the Issuer or the Guarantor under or in connection with the Notes or the Coupons, including damages, is Euro. Any amount received or recovered in a currency other than Euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or to the Guarantor to the extent of the amount in Euro which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount in Euro is less than the amount in Euro expressed to be due to the recipient under any Note or Coupon, the Issuer or the Guarantor (as the case may be) shall indemnify the Noteholders and Couponholders against any loss sustained by them as a result. In any event, the Issuer or the Guarantor (as the case may be) shall indemnify the recipient against the cost of making any such purchase.

For the purposes of this Condition, it will be sufficient for the Noteholder or the Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s (and the Guarantor’s) other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgment or order. For the avoidance of doubt, nothing in this Condition shall make the Issuer or (as the case may be) the Guarantor liable to indemnify any Noteholder or Couponholder more than once in respect of the same cost, loss or damage.

#### 18. **Governing Law and Jurisdiction**

- (a) *Governing law:* Each of the Notes is governed by, and shall be construed in accordance with, English law.
- (b) *Jurisdiction:* Each of the Issuer and the Guarantor expressly and specifically agrees for the benefit of the Noteholders and the Couponholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

- (c) *Appropriate forum:* Each of the Issuer and the Guarantor irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.
- (d) *Process agent:* Each of the Issuer and the Guarantor agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to The Law Debenture Corporation p.l.c. at its registered office for the time being. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or the Guarantor, the Issuer, or the Guarantor (as the case may be) shall, on the written demand of any Noteholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.
- (e) *Non-exclusivity:* The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.
- (f) *Consent to enforcement etc:* Each of the Issuer and the Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.
- (g) *Waiver of immunity:* To the extent that either the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Guarantor or its assets or revenues, the Issuer or the Guarantor (as the case may be) agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

*There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Offering Circular.*

## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("Definitive Notes") in the denomination of Euro 1,000 and Euro 10,000 each at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

The Permanent Global Note will also become exchangeable, in whole but not in part only and at the option of the Issuer, for Definitive Notes if, by reason of any change in the laws of Luxembourg or Italy, the Issuer or the Guarantor is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes or (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment, then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant dated 3 December 2001 (the "Deed of Covenant") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

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

*Payments:* All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

*Notices:* Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg; *provided, however, that*, so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

## USE OF PROCEEDS

Management anticipates that the net proceeds of the issue of the Notes, expected to amount to approximately Euro 148,526,250 after deduction of the combined management and underwriting commission and the selling concession (but prior to deducting other costs and fees relating to the issue), will be used by the Group to (a) fund general working capital needs and finance strategic acquisitions, certain of which may be material (see "Investment Considerations – The Group plans to use a portion of the net proceeds from the issue of the Notes to finance strategic acquisitions" and "Description of the Guarantor – Strategy") and (b) repurchase Euro 23 million in subordinated bonds due 2004 (see "Description of the Guarantor – Recent Developments").

## INVESTMENT CONSIDERATIONS

*Prospective investors in the Notes should consider carefully, in addition to the other information contained in, or incorporated by reference into, this Offering Circular, the factors set out below before deciding whether to invest in the Notes.*

### **Certain existing stockholders have significant control.**

Mekfin S.p.A., a company controlled by the Fulchir family, including Carlo Fulchir, a director and co-chief executive officer of the Guarantor, owns 82.8 per cent. of the Group's common stock. See "Description of the Guarantor – Principal Shareholders." As a result, the Fulchir family has significant influence over (i) the election of the Board of Directors, (ii) the approval or disapproval of any other matters requiring stockholder approval and (iii) the affairs and policies of the Group.

### **The Group plans to use a portion of the net proceeds from the issue of the Notes to finance strategic acquisitions.**

The Group has grown significantly since July 2000 as a result of a series of acquisitions. See "Description of the Guarantor – History and Corporate Structure". Management continuously analyses potential acquisitions that it believes would complement or expand the existing business of the Group. Management intends to use a portion of the net proceeds from the issue of the Notes to fund strategic acquisitions by the Group, certain of which may be material. At this time there can be no assurance as to whether any such investment will be made or, if made, will be successful in achieving its objectives. In addition, there can be no assurance that the Group will be able to consummate future acquisitions on satisfactory terms, if at all, that the Group will be able to successfully integrate any operations acquired or that such operations will ultimately have a positive impact on the Group, or that the Group will be able to obtain adequate financing for potential acquisitions on terms acceptable to the Group, if at all. Currently, the Group has entered an agreement to re-purchase certain assets of Ixtant and a non-binding memorandum of understanding regarding the acquisition of San Marco Engineering S.r.l. and Flextronics International Udine S.p.A. See "Description of the Guarantor – History and Corporate Structure" and "Description of the Guarantor – Recent Developments".

### **The Group needs to integrate its acquisitions successfully to maintain profitability.**

As the Group expands its operations through acquisitions and continues to evaluate acquisition opportunities, it may pursue additional acquisitions over time. These acquisitions involve risks, including:

- Integration and management of the operations;
- Retention of key personnel;
- Integration of purchasing operations and information systems;
- Retention of the customer base of acquired businesses;
- Management of an increasingly larger and more geographically disparate business;
- Increasing leverage and debt service requirements; and
- Diversion of management's attention from other ongoing business concerns.

The success of any acquisition will depend in part on the Group's ability to effectively manage these risks. The Group's profitability will suffer if it is unable to integrate and manage recent acquisitions and pending acquisitions successfully, as well as any future acquisitions that it might pursue, or if it does not achieve sufficient revenue to offset the increased expenses associated with these acquisitions.

### **The Group is heavily dependent on the electronics industry, and changes in the industry could harm the Group's business and operating results.**

The Group's business is heavily dependent on the economic health of the electronics industry. Its customers are primarily original equipment manufacturers in the telecommunications and information communication technology sectors of the electronics industry. These industry sectors, and the electronics industry as a whole, are subject to rapid technological change and product obsolescence. The Group's customers can discontinue or modify products containing components manufactured by the Group. Any discontinuance or modification of orders or commitments could harm the Group's operating results. The electronics industry is also subject to economic cycles and has in the past experienced, and is likely in the future to experience, recessionary periods.

**The Group is dependent on Ericsson for a large portion of its revenues, and declines in sales to Ericsson could harm its operating results.**

A single customer is responsible for a significant portion of the Group's net sales. During the year ended 31 December 2000, the industrial group Telefonaktiebolaget LM Ericsson ("Ericsson") accounted for approximately 90 per cent. of net sales. Although sales to Ericsson fell to 62.5 per cent. of total net sales for the six months ended 30 June 2001, the Group is still, and management expects the Group to continue to remain, dependent upon Ericsson for a significant portion of its future revenues. While the Group has entered into a long-term agreement with Ericsson which requires it to purchase certain minimum levels of telephone exchanges each year through 2002 (see "Description of the Guarantor – Products and Services Systems"), the subsequent loss of Ericsson as a customer or declines in sales to Ericsson could significantly harm the Group's business and operating results.

**Shortages in the availability and increased prices of electronic components may affect the Group's results of operations.**

Components are sourced globally. Component availability is periodically subject to constraints, shortages, and abundances. Some components are available only from a limited number of sources. Some components are subject to periodic allocation by suppliers. Although no assurances can be given for the future, the Group generally has been able to obtain adequate supply to maintain production when shortages occur. While management believes there is currently an abundant supply of its key components, shipment delays may reoccur in the future as it happened the previous year due to a heavy demand of electronic components. Significant component constraints could adversely affect the Group.

**The Group operates in a highly competitive industry.**

The Group operates primarily in the electronic manufacturing services industry. It competes against numerous European and international companies which participate in this industry. The Group also faces competition from current and prospective customers who evaluate its capabilities against the merits of internal manufacturing. Competition varies depending upon the type of service offered and the geographic area of competition. Competition is intense and is expected to continue to be so as more companies enter this industry and existing competitors expand capacity. The Group could be adversely affected if its competitors introduce superior or lower priced services.

To remain competitive, the Group must continue to develop and provide technologically advanced engineering services and manufacturing processes. It must also maintain high quality, offer flexible delivery schedules, deliver products on a timely basis, and continue to price its products and services competitively. Failure to satisfy any of the foregoing requirements could adversely affect the Group.

**The Group depends on demand for its services by original equipment manufacturers seeking to outsource.**

A substantial factor in the Group's revenue growth is attributable to the transfer of manufacturing and supply base management activities from its original equipment manufacturer customers. Future growth depends partially on new outsourcing opportunities. To the extent that these opportunities are not available, the Group's future growth would be unfavorably impacted.

**The Group has entered into transactions with related parties.**

The Group has entered into a number of transactions which are important to its business with Mekfin S.p.A. and other companies (other than companies within the Group) controlled by the Fulchir family (the "Mekfin Group"). These transactions relate primarily to short-term loans made by the Group to the Mekfin Group and purchase orders and other commercial arrangements between the Group and the Mekfin Group. See "Description of Guarantor – Related Party Transactions". Although management believes these transactions are fair to the Group in all material respects, it is possible that different terms might have been obtained from third parties. The Group may enter into further agreements in the future with such related parties which it intends to be at arm's length. Nevertheless, it is possible that different terms for these agreements may be obtained from third parties.

## DESCRIPTION OF THE ISSUER

### Introduction

The Issuer is a subsidiary of the Guarantor and has no operating history.

### History and Business

Finmek International S.A. is registered as a *société anonyme* (joint stock company) having its registered office at 13, Boulevard Prince Henri L-1724 Luxembourg. It was incorporated for an unlimited duration in the name of Finmek International S.A. on 3 August 2001 and was registered with *Registre de Commerce et des Sociétés* under number RC Luxembourg B83282.

Pursuant to the Issuer's articles of incorporation, its object is to act as an investment and holding company of Luxembourg and foreign entities and to carry out transactions, in whatsoever form, which are directly or indirectly connected with the establishment, management and financing, in whatsoever form, of undertakings and companies as well as the management and development of its portfolio. The Issuer may participate in any business, undertakings and companies having analogous or connected objects or which may favour the development of its activities. Furthermore, the Issuer may render assistance, grant loans or guarantees to any company in which it has a direct or indirect interest. In general, the Issuer may carry out any commercial, industrial or financial activity which it may deem useful for the achievement of its object.

Since the date of its incorporation, the Issuer has not traded.

### Share Capital

The authorised share capital is Euro 5 million consisting of 50,000 ordinary shares with a nominal value of Euro 100 each. The issued share capital of the Issuer is Euro 250,000 consisting of 2,500 ordinary shares with a nominal value of Euro 100 each. A total of 2,475 shares are held by the Guarantor and 25 shares are held by Mekfin S.p.A.

The issued share capital of the Issuer is not listed on any stock exchange or dealt in on any other recognised market.

### Indebtedness

Since the date of its incorporation, the Issuer has not had outstanding any loan capital and has not incurred any borrowings or indebtedness in the nature of borrowings and has had no contingent liabilities and granted no guarantees, other than for the issue of the Notes referred to herein.

### Board of Directors

The Board of Directors of the Issuer is made up of the following members:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Paolo Campagnolo .....	37	President
Carlo Santoiemma .....	34	Director
Guido Gemellaro .....	51	Director

The Members of the Board of Directors are all domiciled at the registered office of the Issuer for the purpose of their office.

### Independent Auditors

The independent auditors of the Issuer are KPMG Audit s.c. of 31, allée Scheffer L-2520 Luxembourg.

KPMG Audit s.c. were appointed independent auditors on 3 August 2001 to audit the Issuer's financial statements for the period from its incorporation up to 31 December 2001.

### Capitalisation of the Issuer

The following table sets out the long-term liabilities and stockholders' equity of the Issuer as at 31 August 2001. This table is not adjusted to show the effect of the issuance of the Notes:

	As at 31 August 2001 (unaudited) Actual
	(in thousands of Euros)
Shareholders' equity:	
Share capital .....	250
Total shareholders' equity .....	250
Long-term liabilities:.....	—
<b>Total capitalisation .....</b>	<b>250</b>

With the exception of the issue of the Euro 150,000,000 7 per cent. Guaranteed Notes the subject of this Offering Circular, there has been no material change in the capitalisation of the Issuer since its date of incorporation.

### Financial Information

The Issuer was incorporated on 3 August 2001 and accordingly has not prepared any financial statements for any period subsequent to its incorporation. The financial statements of the Issuer for the period from incorporation to 31 December 2001 (together with the auditor's report thereon) and for subsequent financial periods, will be made available at the specified office of any Paying Agent in Luxembourg for so long as any of the Notes remain outstanding and at the registered office of the Issuer, in each case free of charge.

### Auditor's Report on the Issuer

The following is the text of a report received by the shareholders of the Issuer prepared by KPMG Audit s.c., independent auditors of the Issuer:

"To the Shareholders of  
Finmek International S.A.  
13, Boulevard Prince Henri  
L-1724 Luxembourg

30 November 2001

We report that Finmek International S.A. (the "Company"), a subsidiary of Finmek S.p.A., was incorporated under the laws of the Grand Duchy of Luxembourg on 3 August 2001.

The Company has not prepared financial statements for the period from incorporation to 30 November 2001 and no dividends have been declared or paid since the date of incorporation.

No transactions have occurred since incorporation other than: (i) the resolution of the board of directors of the Company to issue the Notes as described under the heading "General Information" on page 46 of the offering circular dated 30 November 2001 relating to the issue by the Company of Euro 150,000,000 7 per cent. Guaranteed Notes due 2004 (the "Offering Circular"); and (ii) the execution of the Subscription Agreement and the Fiscal Agency Agreement and connected documents described on pages 5 and 44 of the Offering Circular.

Yours faithfully,

KPMG Audit s.c."

## DESCRIPTION OF THE GUARANTOR

### Overview

Finmek S.p.A. (the “Company”) is the parent company of an industrial group (the “Group”) which is among the leading European suppliers of electronic manufacturing services. The Group designs, manufactures, distributes and services a wide range of electronic products for Ericsson and other original equipment manufacturers for use mainly in connection with the telecommunication and information communication technology industries. These products include telephone exchanges and systems, electronic boards and sub-systems, systems and equipment for public utilities and wire line and wireless communication products. The Group maintains six manufacturing facilities, three of which are located in North East Italy, an area which has traditionally been associated with advanced and active industrial design and manufacture.

For the year ended 31 December 2000, the Group’s net sales and net income were Euro 335.3 million and Euro 6.9 million, respectively, and for the six months ended 30 June 2001, net sales and net income were Euro 212.1 million and Euro 2.9 million, respectively. The Group’s products have strong appeal both in Italy and throughout Europe, with approximately 58.6 per cent. of net sales for the six months ended 30 June 2001 derived from its principal customer, the Swedish original equipment manufacturing group Ericsson, 30.1 per cent. from customers located in Italy and 7.4 per cent. from the German original equipment manufacturer Siemens AG (“Siemens”).

The Company was incorporated on 27 July 1990, with a duration expiring on 31 December 2050. The Company’s registered office is located at Via Simone Martini, 126, 00142 Rome, Italy and its administrative office is located at Via Lisbona, 28, 35127 Padua, Italy.

### History and Corporate Structure

The Company was originally established in July 1990 as Ericsson Trasmissioni S.p.A., a manufacturer of digital switch cabinets for Ericsson. The Company was acquired by Mekfin S.p.A. in May 2000 for approximately Euro 8.7 million. Pursuant to a supply agreement entered into in conjunction with the purchase agreement between Ericsson and Mekfin S.p.A., Ericsson agreed to purchase from Ericsson Trasmissioni S.p.A. certain minimum levels of telephone exchanges each year through 2002. In July 2000, the Company changed its name to Finmek S.p.A. Subsequently, the Group began a major restructuring in order to expand its customer base beyond Ericsson and to consolidate and reinforce its technological and productive capabilities in the developing electronic manufacturing services market in Europe. During this period, the Group completed the following transactions:

- In July 2000, the Company acquired PBA S.p.A., an electronic board manufacturing business, including a manufacturing facility located in Pagani, Italy, from a company controlled by Mekfin S.p.A. for approximately Euro 6.2 million. Mekfin S.p.A. had previously acquired PBA S.p.A. from Ericsson in January 1999 for approximately Euro 2.6 million. The Company later changed the name of PBA S.p.A. to Finmek PBA S.p.A. (“Finmek PBA”).
- In August 2000, Finmek PBA acquired Seima, a company engaged in the manufacture of electric boards for the automotive, information technology and electric appliance markets, from a company controlled by Magneti Marelli S.p.A. for approximately Euro 300,000. The acquisition included a manufacturing plant located in Tolmezzo, Italy.
- In December 2000, the Company, together with Tecnodiffusione S.p.A., established CMS S.p.A., a company engaged in the assembly and testing of computer products. The Company purchased 51 per cent. of the total share capital in CMS S.p.A. for approximately Euro 7.9 million.
- In April 2001, the Group acquired Access Media S.p.A., a company engaged in the manufacture of set-top boxes and fixed telephone devices, for approximately Euro 2.1 million from MDS Multimedia Digital System Holding S.A. and Improved Technology Company B.V. Subsequently, the Company transferred a majority interest in the share capital of Access Media S.p.A. to Access Media Holding S.p.A., a newly formed subsidiary of the Company. In May 2001, Access Media S.p.A. acquired a production facility specialising in set-top boxes and fixed telephone devices from Italtel S.p.A. for approximately Euro 67.1 million.
- In September 2001, the Group signed an agreement with its parent company Mekfin S.p.A. regarding the sale of its 80 per cent. shareholding in Access Media Holding S.p.A. and its 29 per cent. shareholding in Access Media S.p.A. for Euro 12.9 million. The two companies were considered as non strategic for the Group’s core business. The Group maintains a 19 per cent. interest in Access Media S.p.A.

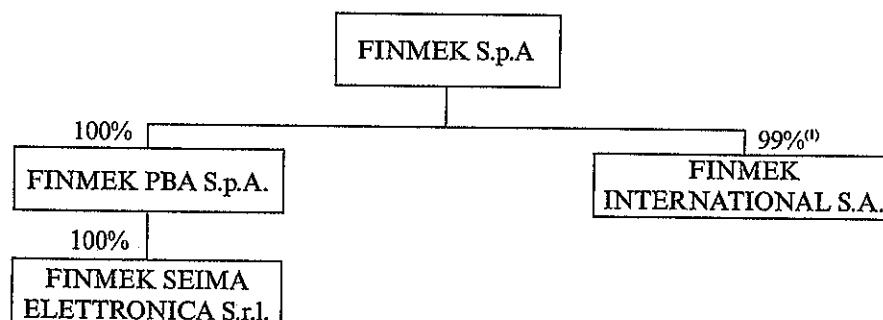
- In September 2001, the Group signed a non-binding memorandum of understanding with Flextronics International Ltd. pursuant to which the parties agreed to enter into negotiations concerning the sale by Flextronics International Ltd. of its wholly-owned subsidiaries San Marco Engineering S.r.l. and Flextronics International Udine S.p.A. for a purchase price of approximately Euro 150,000. San Marco Engineering S.r.l. and Flextronics International Udine S.p.A. employ approximately 320 employees and own an electronics manufacturing plant located in Buia, Italy. In 2000, they earned a combined revenue of approximately Euro 22 million. If the parties reach a final agreement on the terms of the sale, it is anticipated that the sale will occur prior to 31 December 2002.
- In November 2001, the Company sold its interest in CMS S.p.A. to Tecnodiffusione S.p.A. for approximately Euro 8.9 million.

#### *Ixtant Restructuring*

In addition, in January 2001, the Company acquired Ixtant S.p.A. ("Ixtant"), a manufacturer of telecommunication and information technology component parts, from Telit Mobile Terminals S.p.A. ("Telit") for the nominal amount of Euro 500. Ixtant, whose customers include Alcatel S.p.A. and Olivetti S.p.A., operates seven production facilities and employs approximately 2,000 employees, over 90 per cent. of them in Italy. During the period commencing with the Company's acquisition of Ixtant in January 2001 through September 2001, Ixtant generated losses, a portion of which are expected to be covered by an indemnity from Telit. Based on this performance and the necessity to restructure Ixtant, in September 2001, the Company sold 99 per cent. of Ixtant to Mekfin S.p.A., the parent company of the Group, and its affiliate Elifin S.r.l. for Euro 500. Pursuant to the purchase agreements with Mekfin S.p.A. and Elifin S.r.l., the Company agreed to re-purchase, prior to 31 January 2002, the manufacturing facilities and other assets of Ixtant (including re-purchasing all of Ixtant's productive capacity and reemploying its employees) at a price to be determined by an independent third-party appraisal. It is expected that the re-purchase price will be between Euro 25 and 30 million (including assumed debt).

#### *Current Structure*

The Group currently consists of the parent company, Finmek S.p.A., and three subsidiary companies, two of which are located in Italy and one in Luxembourg. The following organisational chart represents the structure of the Group as of the date hereof.



(1) Mekfin S.p.A. holds 25 shares, which represents 1 per cent. of total shareholdings.

#### **Strategy**

The Group's strategy is to continually develop a profitable, growing business through the constant development and enhancement of its products and services. To accomplish this objective, the Group intends to implement the following initiatives:

- **Expand product and service offerings vertically.** The Group intends to expand its range of value-added manufacturing services from design and engineering of products and processes, to board assembly, cabinet and rack manufacturing, cable assembling, system integration, test, material management and after-sale support. Through this type of vertical integration, the Group believes it will be able to add greater value for its customers, which in turn, will allow it to realise greater margins. Furthermore, vertical integration will provide the Group with greater control over the manufacturing process in terms of quality and cost and enable it to offer customers a more complete product solution and a shorter time-to-market.

- **Develop long-term customer relationships.** The Group seeks to maintain and establish partnerships with key customers. As a vertically integrated electronic manufacturing services provider, the Group seeks to become involved in the early co-design stages of production, then continue to support its customers through the manufacturing cycle and production, re-engineering and raw materials management. This approach enables the Group to become an integral part of its customers' manufacturing process and expand into new geographic markets in parallel with its customers. For example, the Group is currently considering initiatives in China and Brazil with Ericsson. Furthermore, although Ericsson is responsible for a significant portion of the Group's net sales, the Group has been able, and in the future will continue, to seek to attract new customers. To further these efforts, the Group intends to continue to expand its direct sale and support staff and to pursue additional opportunities as they become available.
- **Pursue strategic acquisitions.** The Group intends to actively pursue acquisitions with the objectives of expanding its customers base, acquiring new manufacturing technologies, broadening its range of services offerings and implementing its vertical integration strategy. This approach may also provide the Group with opportunities to expand into key geographic markets for the electronics industry, including new areas in China, Mexico and Eastern Europe. The Group will also consider acquisitions of entire companies as well as acquisitions of selected assets, principally equipment, inventory and customer contracts and, in certain cases, facilities or facility leases. Currently, the Group has entered into an agreement to re-purchase certain assets of Ixtant and into a non-binding memorandum of understanding to purchase certain subsidiaries of Flextronics International Ltd. See "Investment Considerations – The Group plans to use a portion of the net proceeds from the issue of the Notes to finance strategic acquisitions" and "– History and Corporate Structure".
- **Extend technology leadership.** The Group believes it has established itself as a technology leader within the electronic manufacturing services sector in Europe. The Group strives for continuous improvement of its processes and has adopted a number of quality improvement and measurement techniques to monitor its performance. The Group will seek to further augment its status as a technology leader through continued investment in emerging technologies, process automation, and human capital, both by recruiting new managers and technicians and improving the skills of the existing personnel through training programs.
- **Focus marketing efforts on high value added sectors.** The Group focuses on Ericsson and other leading manufacturers of electronic products that generally require custom designed, complex interconnect products and short lead-time manufacturing services. The Group's customers include Ericsson and other leading original equipment manufacturers in telecommunications, information communication technology, public utilities, electro-medical, automotive and consumer sectors. See "– Customers". Many products manufactured by these customers are highly complex and require a combination of different techniques in electronics, mechanics, and assembly. By integrating these complex techniques and shortening customers' time-to-market, the Group is able realise greater margins. In the future, the Group intends to continue to focus sales efforts on such high value-added customers.

#### **Products and Services**

The Group is a leading European provider of electronic manufacturing services used by Ericsson and other original equipment manufacturers primarily in connection with the telecommunication and information communication technology industries. The Group also provides these services for automotive, electro-medical and public utilities applications. The Group's products are used by original equipment manufacturers as integral parts of a wide variety of high technology electronic products, including telephone exchanges and systems, electronic boards and sub-systems, systems and equipment for public utilities, and wire line and wireless communication products.

The Group's principal categories of products and services consist of systems, electronic raw materials, electronic boards and equipment and other products and services. The following table sets forth the revenues earned in each product and service category and the respective percentage of total consolidated revenues for the year ended 31 December 2000 and the six months ended 30 June 2001:

	Year Ended 31 December 2000		Six Months Ended 30 June 2001	
	Revenues	Percentage of Total Revenues	Revenues	Percentage of Total Revenues
(in millions of Euro, except percentages)				
Systems.....	273.7	81.6%	117.4	55.3%
Electronic raw materials .....	29.2	8.7%	44.6	21.0%
Electronic boards .....	26.0	7.8%	37.8	17.8%
Equipment and other products and services.....	6.4	1.9%	12.3	5.9%
<b>Total .....</b>	<b>335.3</b>	<b>100.0%</b>	<b>212.1</b>	<b>100.0%</b>

The following discussion describes each of the Group's principal categories of products and services:

#### **Systems**

The Group works closely with Ericsson and other original equipment manufacturers to design customised systems. The Group generally designs systems on a purchase order basis, however, the Group has entered into a long-term purchase contract with Ericsson, pursuant to which Ericsson is obligated to purchase certain minimum quantities of telephone exchanges each year through 2002. The Group produces these telephone exchanges and other systems as ready-to-fit packages specifically tailored and suited for any application required. As a supplier of operational systems, rather than simply component parts, the Group's goal is to supply its customers with integrated solutions. Accordingly, the Group works closely with its original equipment manufacturer customers, primarily in the telecommunication sector, in designing and manufacturing systems.

The Group's core competencies in integrating components into systems involve the following areas:

- *Broadband local loop* – telecommunication systems designed to cover the section between the telephone exchange and the final users.
- *Wireless communication infrastructures* – telecommunication systems produced as fixed infrastructures to support mobile communication networks.
- *Wireline communication infrastructures* – telecommunication systems designed to support telephone exchanges, consisting of a single product, the AXE 202 cabinet.
- *Industrial systems* – systems used in connection with a variety of industrial applications.

#### **Electronic Raw Materials**

The Group purchases and resells various electronic raw materials to Ericsson and other high technology electronic original equipment manufacturers for whom the Group manufactures made-to-order systems and components. Pursuant to purchase agreements or orders with these customers, in the event that a customer cancels an order, reduces the quantity or otherwise changes order specifications, the customers are committed to take delivery of those raw materials no longer needed to fulfil the order. The Group is entitled to charge a markup on these raw materials, which consist primarily of electronic boards and other component parts.

#### **Electronic Boards**

The Group assembles electronic circuit boards for original equipment manufacturers who require them as component parts in computer systems and consumer appliances. In particular, the Group assembles motherboards and other cards, networking components, fixed-line components, system cores, climate control units and consumer electronic components.

#### **Equipment and Other Products and Services**

The Group designs and manufactures various electronic equipment for original equipment manufacturers, who then resell the products under their own brand name. These products include modems, navigation systems and electronic meters sold to the telecommunications, automotive, public utilities and information communications technology sectors. The Group also offers electronics manufacturing services in the pre-

sale, post-sale and prototype stages of production. These services include designing and planning of complex electronic project solutions for electronic systems, installation of fixed and mobile telecommunications infrastructures, and post-sales repair and support services for electronic boards and systems.

### Manufacturing

Management of the Group has adopted a total quality concept with the objective of achieving the highest levels of quality in every aspect of delivering its products and services. Quality is defined by the Group in terms of the efficiency, effectiveness and flexibility of its business processes. Because the Group works closely with a limited number of original equipment manufacturers (see “- Customers”), customer satisfaction is an integral part of reaching these objectives. The Group ensures the customers’ continuous involvement in order to effectively respond to any changes in the customers’ needs or plans. The Group also attempts to continually improve its business processes by discovering ways to minimise the costs and time of manufacturing. For instance, the Group has instituted performance controls which monitor production processes by collecting extensive data in order to detect any errors and identify which function caused the error in a timely manner.

Companies within the Group have been awarded several awards and certificates relating to their manufacturing processes, including ISO 9000, a set of five universal standards for quality assurance. Italy is one of 90 countries to have accepted ISO 9000 as a national standard. The ISO 9002 standards apply to production and testing. The Company was awarded the UNI EN ISO 9002 standard in 1993. The ISO 14000 standards relate to environmental policy. The Group subsidiary Finmek PBA obtained UNI EN ISO 14001 certification in December 1998.

At present, the Group maintains six manufacturing facilities, three of which are located in North East Italy, an area which has traditionally been associated with advanced and active industrial design and manufacture. The Group’s other plants are located in Sulmona, Pagani and Rome, Italy. The Group leases these facilities pursuant to long-term leasing arrangements. The following chart details the Group’s manufacturing plants and the relevant product ranges:

Location	Company	Main production
Pagani (SA), Italy	Finmek PBA S.p.A.	Electronic boards – Electronic meters
Tolmezzo (UD), Italy	Finmek Seima Elettronica S.r.l.	Electronic boards
Padua, Italy	Finmek PBA S.p.A.	Electronic boards
Sulmona (AQ), Italy	Finmek S.p.A.	Telephone exchanges and navigation systems
Padua, Italy	Finmek S.p.A.	Telephone exchanges (shelters)
Rome, Italy	Finmek S.p.A.	Pre and post sales services

The Group believes that its facilities are well maintained and sufficient for its current manufacturing needs.

### Raw Materials

The Group’s raw materials and semi-processed raw materials purchases accounted for approximately 83.5 per cent. of its total production costs in the six months ended 30 June 2001. The Group’s chief raw materials consist of electronic boards and electronic components. The Group generally purchases these materials through either value purchasing agreements or general purchasing agreements. The Group enters into value purchasing agreements when raw materials are required to complete purchase orders for Ericsson. Ericsson is generally able to purchase raw materials from suppliers on favourable terms, and these same terms are available to the Group when the Group purchases to complete orders for Ericsson. For all other raw materials purchases, the Group enters general purchasing agreements. These agreements are annual in duration and the applicable price is renegotiated every three months. Raw materials purchasing agreements are denominated in Euro or U.S. dollars with reference to international market prices. In the six months ended 30 June 2001, the prices of the key raw materials the Group uses were not subject to significant price increases or volatility. The Group receives approximately 40 per cent. of its supply of electronic boards from SCI Systems Spain, S.A., pursuant to value purchasing agreements. The Group purchases approximately another 10 per cent. of its supply of electronic boards from Flextronics International Sweden AB, pursuant to value purchasing agreements. The remainder of electronic boards are manufactured within the Group by Finmek PBA. Numerous substitute suppliers of electronic boards exist within the market. With respect to electronic components, no individual supplier comprises more than 10 per cent. of its supply and the market consists of many substitute suppliers.

## Customers

The Group's customer base is made up primarily of Ericsson, and also includes other high technology original equipment manufacturers, based primarily in Europe, that operate in the telecommunication and information communication technology industries, and, to a lesser degree, in the automotive and public utilities industries. The following table details the percentage of the Group's revenues for the six months ended 30 June 2001 from each of these industry sectors:

	Percentage of Total Revenues for the Six Months Ended 30 June 2001
Telecommunication .....	84.3%
Information communication technology.....	11.8%
Automotive.....	2.3%
Public utilities and other.....	1.6%
Total .....	<u>100.0%</u>

In general, the Group enters into non-binding long-term agreements with its customers, except with respect to a limited number of agreements which establish fixed volumes or minimum margins, including an agreement with Ericsson for the supply of telephone exchanges. See “-Products and Services – Systems”. In the six months ended 30 June 2001, the Group manufactured and/or serviced products for approximately 90 customers. In terms of total sales, the Group's principal customer is Ericsson, which accounted for approximately Euro 125 million or 62.5 per cent. of the Group's total revenue for the six months ended 30 June 2001. Other key customers include Siemens, Magneti Marelli Holding S.p.A., Fiat S.p.A. and Merloni Elettrodomestici S.p.A.

The Group's development demonstrates its goal of exploiting European markets. Of the Group's total sales for the six months ended 30 June 2001, approximately Euro 150.2 million, or 75 per cent., was generated from customers outside of Italy. In addition to sales from the Group's principal customer, Ericsson, the Group obtained 7.9 per cent. of its total sales for the six month period ended 30 June 2001 from the German original equipment manufacturer Siemens.

## Sales and Marketing

The Group has established a sales and marketing team of dedicated personnel who provide a consistent interface between customers and the Group. The Group's sales and marketing staff is currently comprised of ten people, organised by customers' business areas (telecommunication, information communication technology, automotive and public utilities and others). These teams are located in Rome, Padua and Paganì in Italy and consist of personnel dedicated to sales and specialised personnel within each sales office dedicated to maintaining customer relationships.

The Group's sales and marketing staff helps it maintain an extensive European customer network in order to better represent individual customer's interests, promote customer programs and coordinate customer strategies with the goal of enhancing overall customer service and satisfaction.

## Intellectual Property and Research and Development

The Group is not dependent on any intellectual property rights in connection with its activities. Furthermore, the Group does not depend on contracts, agreements, licenses or production processes belonging to third parties in order to carry out its activity.

In order to increase its presence in the markets and areas where it currently operates, the Group has made considerable investments into research and development. In the six months ended 30 June 2001, the Group spent Euro 2.3 million on research and development, which constituted 1.2 per cent. of its net sales. A significant portion of these expenditures were used to establish an engineering service development department. This department acts as a full service, engineering development business unit, focused on the integration of different technologies, including mechanical, electromechanical, electronics and software. The department develops technologies to coordinate all aspects of the manufacturing process from industrial design to tooling and programming. By integrating these techniques into a single process, the Group is able to achieve shorter production times and reduced costs.

## Management and Employees

### *Board of Directors*

Under Italian law and pursuant to the Company's Bylaws, the Board of Directors is responsible for managing the Company's business and supervising its operations and has the power to take any actions within the scope of the Company's corporate purposes, other than actions reserved by law or the Bylaws to the shareholders. According to the Bylaws, the Board of Directors of the Company shall be composed of between three and nine members. Currently, the Board of Directors consists of nine members. Directors are elected at the ordinary meeting of shareholders and serve for such term as is established by the shareholders at the time of election, but no longer than three years.

Directors may be elected for consecutive terms. Pursuant to Italian law, directors may be removed at any time by the shareholders at any ordinary meeting. In the case of removal without cause, directors are entitled to ask for damages from the Company. Directors may resign at any time by written notice to the Board of Directors and to the President of the Board of Statutory Auditors. The Board of Directors will appoint replacements to fill any vacancies that may occur between shareholders' meetings, and such replacements will serve until the next ordinary meeting of shareholders. If at least half of the positions of the Board of Directors become vacant, the entire Board will be considered dissolved, and a shareholders' meeting will be called to appoint a new Board.

The current Board of Directors of the Company is comprised of:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Paolo Campagnolo.....	37	Chairman
Guido Sommella.....	55	Director and Co-Chief Executive Officer
Carlo Fulchir .....	38	Director and Co-Chief Executive Officer
Calisto Rosati .....	60	Director and General Manager
Giovanpietro Bassani.....	62	Director
Giuseppe Mancinelli .....	50	Director
Giuseppe Mancini .....	56	Director
Doris Nicoloso .....	39	Director
Loreto Fulchir .....	46	Director

### *Board of Statutory Auditors*

The current board of Statutory Auditors of is comprised of:

<u>Name</u>	<u>Position</u>
Bruno Bonelli.....	President
Sergio Tempesti .....	Standing member
Antonio Gonano .....	Standing member
Fabio Pavon.....	Alternate member
Luca Silvestri .....	Alternate member

Membership of both the Board of Directors and Board of Statutory Auditors expires on 15 May 2003.

### **Managers**

The co-chief executive officers are Mr. Guido Sommella and Mr. Carlo Fulchir; the general manager is Mr. Calisto Rosati.

### **Shareholdings of Directors, Statutory Auditors and Principal Management**

Mekfin S.p.A. owns 82.8 per cent. of the Company. The Fulchir family, including Mr. Carlo Fulchir, director and co-chief executive officer of the Company, and Mrs. Doris Nicoloso, a director of the Company and wife of Mr. Carlo Fulchir, indirectly holds 82.6 per cent. of Mekfin S.p.A. Accordingly, the Fulchir family indirectly holds 68.0 per cent. of the Company's share capital. No other directors, statutory auditors or management beneficially own any shares or options in the Company.

## Employees

The following table shows the number of Group employees for the periods indicated, divided by principal categories.

	As of 30 June 2000	As of 31 December 2000	As of 30 June 2001
Senior management .....	5	10	15
Employees .....	121	197	202
Production workers(*)	421	731	653
<b>Total</b> .....	<b>547</b>	<b>938</b>	<b>870</b>

(\*) Includes temporary workers.

Employment agreements in Italy are generally collectively negotiated between the National Association of Companies within a particular industry and the representative National Union of the Category of Employees within that industry (e.g., managerial and non-managerial). Management believes that relations with its employees are good; although, the Group has occasionally experienced work stoppages in the past related to national strikes and, to a lesser extent, industry specific strikes related to the negotiation of the national contracts.

## Recent Developments

On 1 August 2000, the Group acquired Seima. Pro-forma financial statements including the acquisition of Seima were not prepared because it was not required under Italian law. In addition, at the time of the acquisition, the net income and total assets of Seima represented 10 per cent. and 7 per cent., respectively, of those of the Finmek Group. The following tables set out certain summary unaudited financial information for Seima for the years ended 31 December 1999 and 2000 presented in accordance with Italian GAAP. Such summary financial information has not been reviewed or audited by independent auditors and investors are advised not to place undue reliance thereon.

### Balance Sheet of Seima

	31 December 1999 (unaudited)	31 December 2000 (unaudited)
	(in thousands of Euro)	
Fixed assets .....	5,439	4,879
Operating assets.....	6,464	7,974
Operating liabilities.....	(10,505)	(9,327)
Working capital.....	(4,041)	(1,353)
<b>Net capital employed</b> .....	<b>1,398</b>	<b>3,526</b>
Shareholders' equity .....	468	481
Net financing position .....	930	3,045
<b>Shareholders' equity and financing position</b> .....	<b>1,398</b>	<b>3,526</b>

## Income Statement of Seima

	Year ended 31 December 1999 (unaudited)	Year ended 31 December 2000 (unaudited)
	(in thousands of Euro)	
Revenues from sales and services .....	14,552	19,871
Other operating income .....	284	263
Cost of sales.....	(8,808)	(13,696)
Payroll costs.....	(4,470)	(5,026)
Provisions and writedowns .....	(24)	(13)
Other operating charges .....	(10)	(56)
Income from fixed assets by internal production .....	—	314
<b>EBITA</b> .....	<u>1,524</u>	<u>1,657</u>
Depreciation and amortization .....	(1,169)	(1,259)
<b>EBIT</b> .....	<u>355</u>	<u>398</u>
Financial income (charges) .....	(89)	(85)
Extraordinary income (charges) .....	21	12
<b>Net Profit before income and taxes</b> .....	<u>287</u>	<u>325</u>
Taxes on income .....	(205)	(313)
<b>Net Profit</b> .....	<u>82</u>	<u>12</u>

On 23 July 2001, the Company issued Euro 23 million of subordinated bonds due 2004 (the "Subordinated Bonds"). The agreement with the holder of the Subordinated Bonds provides such holder with the right to cause the Company to repurchase such Subordinated Bonds. In November 2001, the holder of the Subordinated Bonds exercised such right. Accordingly, the Company will use Euro 23 million of the net proceeds of the issue of the Notes to repurchase the entire principal amount of the Subordinated Bonds. See "Use of Proceeds".

On 26 July 2001, Mekfin S.p.A., the Company's principal shareholder, sold 2.2 per cent. of the Company's share capital to a group of five minority shareholders in ICS S.p.A., a company controlled by Mekfin S.p.A.

On 30 August 2001, the Group entered into a short-term loan agreement with Ericsson for an aggregate principal amount of approximately Euro 15 million.

On 14 September 2001, the Group signed an agreement with its parent company Mekfin S.p.A. regarding the sale of its 80 per cent. shareholding in Access Media Holding S.p.A. and 29 per cent. shareholding in Access Media S.p.A. for Euro 12.9 million. The two companies were considered as non strategic for the Group's core business. The Group maintains a 19 per cent. interest in Access Media S.p.A.

On 15 September 2001, the Group signed a non-binding memorandum of understanding with Flextronics International Ltd. pursuant to which the parties agreed to enter into negotiations concerning the sale by Flextronics International Ltd. of its wholly-owned subsidiaries San Marco Engineering S.r.l. and Flextronics International Udine S.p.A. for a purchase price of approximately Euro 150,000. San Marco Engineering S.r.l. and Flextronics International Udine S.p.A. employ approximately 320 employees and own an electronics manufacturing plant located in Buia, Italy. In 2000, they earned a combined revenue of approximately Euro 22 million. If the parties reach a final agreement on the terms of the sale, it is anticipated that the sale will occur prior to 31 December 2001.

On 27 September 2001, the Company sold 99 per cent. of Ixtant to Mekfin S.p.A., the parent company of the Group, and its affiliate Elifin S.r.l. for Euro 500. See "– History and Corporate Structure – Ixtant Restructuring".

On 8 November 2001, the Company sold its interest in CMS S.p.A. to Tecnodiffusione S.p.A. for approximately Euro 8.9 million.

In addition, the Group entered into a sales agreement with Enel S.p.A. in May 2000, pursuant to which Enel S.p.A. agreed to purchase approximately Euro 150 million in electronic meters. To finance the purchase of component parts and other raw material used in the manufacture of such electronic meters, the

Group has incurred, since 30 June 2001, approximately Euro 15 million in short-term liabilities through an increase in its existing credit facilities.

Except as disclosed in this Offering Circular, there have been no other significant changes in the financial or trading position of the Company or the Group since 30 June 2001, which, in the view of management, would likely cause a material adverse change in the financial condition or the prospects of the Company or the Group.

#### **Auditors**

KPMG S.p.A. has audited, without qualifications, the unconsolidated financial statements of the Company as at and for the years ended 31 December 1999 and 2000, and the consolidated financial statements of the Company, as at and for the year ended 31 December 2000 (the date on which the latest audited financial statements of the Group were issued). In addition KPMG S.p.A. performed a limited review on the consolidated and unconsolidated financial statements of the Company as at and for the six months ended 30 June 2001. The interim consolidated and unconsolidated financial statements of the Company as at and for the six months ended 30 June 2000 have not been audited or reviewed by independent auditors and investors are advised not to place undue reliance thereon.

#### **Principal Shareholders**

As of the date hereof, 82.8 per cent. of the ordinary shares of the Company are held by Mekfin S.p.A., an Italian corporation which is indirectly controlled by the Fulchir family. In addition, Assicurazioni Generali S.p.A. ("Generali") (through GEFINA S.p.A.), Banca del Monte dei Paschi di Siena S.p.A. ("MPS") and a group of five minority shareholders in a company controlled by Mekfin S.p.A. own, respectively, approximately 11 per cent., 4 per cent. and 2.2 per cent. of the Company's ordinary shares. Mekfin S.p.A. has entered in agreements with several minority shareholders of the Company, including Generali and MPS, which, *inter alia*, require Mekfin S.p.A. to re-purchase these shareholders' investments in the Company under certain limited circumstances. Mekfin S.p.A. has also granted Generali (through GEFINA S.p.A.) the right to appoint one member of the Company's board of directors.

#### **Related Party Transactions**

The Group has entered into several transactions with companies within the Mekfin Group, including the Company's controlling shareholder Mekfin S.p.A. As of 30 June 2001, the Mekfin Group owed the Group net receivables in the amount of approximately Euro 40.2 million relating to purchase orders and other commercial arrangements between the Group and the Mekfin Group. In addition, as of 30 June 2001, the Mekfin Group had outstanding short-term loans payable to the Group in the amount of Euro 25.8 million. Although, it is possible that the above arrangements with the Mekfin Group could have been obtained from third parties on more favourable terms, management believes they are fair to the Group in all material respects.

#### **Legal Proceedings**

From time to time, the Group has been involved in various legal proceedings. The Group believes that such litigation is routine in nature and incidental to the conduct of its business. Management believes that none of such litigation would have a material adverse effect on the Group, should such litigation be determined adversely to the Group.

## CAPITALISATION OF THE GUARANTOR

The following table sets out the long-term liabilities and stockholders' equity of the Guarantor as at 30 June 2001 and is derived from the unaudited consolidated financial statements of the Guarantor as at 30 June 2001. This table is not adjusted to give effect to the issuance of the Notes.

	As at 30 June 2001 (unaudited) Actual
	(in millions of Euro)
Cash and cash equivalents .....	24.4
Long term liabilities <sup>(1)</sup> .....	23.2
Redeemable stock, options and warrants .....	—
Minority interest .....	—
Stockholders' equity (deficit):	
Share capital .....	50.0
Additional paid-in capital .....	—
Other reserves .....	2.1
Accumulated deficit .....	0.2
Net profit of the period .....	3.0
Total stockholders' equity .....	54.9
<b>Total capitalisation</b> .....	<b>102.5</b>

(1) Does not reflect the issuance on 23 July 2001 of Euro 23 million in Subordinated Bonds.

There has been no material change in the consolidated capitalisation of the Guarantor since 30 June 2001 with exception of the issuance of (i) Subordinated Bonds in the principal amount of EUR 23 million and (ii) an increase of approximately Euro 30 million in short term liabilities, of which approximately Euro 15 million results from a loan from Ericsson and approximately Euro 15 million relates to increases in the Group's existing credit facilities. See "Description of the Guarantor – Recent Developments".

## SUMMARY FINANCIAL INFORMATION RELATING TO THE GUARANTOR

The following tables set out in consolidated and unconsolidated summary form balance sheet and income statement information relating to the Guarantor. Such information is derived from the unaudited consolidated and unconsolidated financial statements of the Guarantor as at and for the six months ended 30 June 2000 and 2001, from the audited consolidated and unconsolidated financial statements of the Guarantor as at and for the year ended 31 December 2000 and from the audited unconsolidated financial statements of the Guarantor as at and for the year ended 31 December 1999. The interim consolidated and unconsolidated financial statements of the Guarantor as at and for the six months ended 30 June 2001 have been reviewed by KPMG S.p.A. The interim consolidated and unconsolidated financial statements of the Guarantor as at and for the six months ended 30 June 2000 have not been audited or reviewed by independent auditors and investors are advised not to place undue reliance thereon. It should be noted that pro forma financial statements for the Guarantor for 1999 were not produced because under Italian legislation the Guarantor was under no obligation to do so. The financial statements of the Guarantor are prepared in accordance with accounting principles prescribed by Italian law, as supplemented by the accounting principles promulgated by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (together referred to as "Italian GAAP"). Such financial statements, together, were relevant, with the reports of KPMG S.p.A. and the accompanying notes thereto are incorporated by reference in this Offering Circular. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

In reviewing the consolidated financial information contained here and elsewhere in this Offering Circular, it should be noted that the financial statements have not been prepared on a pro-forma basis so as to include activity relating to acquired companies for the entire portion of the periods presented because pro-forma financial statements for such periods, had they been prepared, would not have differed materially from the unconsolidated financial statements for the same periods. Specifically, the Group acquired Finmek PBA in July 2000 and Seima in August 2000 (see "Description of the Guarantor - History and Corporate Structure"). The consolidated financial statements have been prepared so as to include activity relating to Finmek PBA as of 1 January 2000 and activity relating to Seima as of 1 August 2000, the date of acquisition. Accordingly, the consolidated financial statements do not include activity relating to Finmek PBA at and for the year ended 31 December 1999 or activity relating to Seima at and for the year ended 31 December 1999 and for the portion of the year ended 31 December 2000 prior to the Group's acquisition of Seima. Finmek PBA did not earn any revenue other than revenue derived from sales to the Group for the year ended 31 December 1999. Seima earned revenue of approximately EUR 14.5 million for the year ending 31 December 1999 and EUR 11 million during the period commencing on 1 January 2000 and ending on 1 August 2000, the date on which the Group acquired Seima. During these same periods, the Group earned revenues of approximately EUR 144 million and EUR 200 million, respectively. As a percentage of the Group's revenue over these periods, the revenue of Finmek PBA and Seima were deemed immaterial such that pro-forma financial statements for such periods, had they been prepared, would not have differed materially from the unconsolidated financial statements for the same periods.

It should also be noted that certain companies which the Group recently acquired and sold were not included as consolidated subsidiaries in the consolidated financial information contained herein. In particular, the Group acquired CMS S.p.A. in December 2000 and sold it in November 2001, acquired Ixtant S.p.A. in January 2001 and sold it in September 2001 and acquired an interest in Access Media S.p.A. in April 2001 and agreed to sell it in September 2001 (see "Description of the Guarantor - History and Corporate Structure"). Because, at the time of the preparation of the consolidated financial statements for the year ended 31 December 2000, in the case of CMS S.p.A., and the six months ended 30 June 2001, in the case of CMS S.p.A., Ixtant S.p.A. and Access Media S.p.A., the Group anticipated selling in the near future each of the respective subsidiaries, or its majority shareholding in the case of Access Media S.p.A., in accordance with Italian GAAP, each of CMS S.p.A., Ixtant S.p.A. and Access Media S.p.A. were not included as consolidated subsidiaries in the Group's financial statements for such periods. Accordingly, the consolidated financial information contained herein does not consolidate activity relating to CMS S.p.A., Ixtant S.p.A. and Access Media S.p.A. on a line-by-line basis.

**Consolidated Income Statements of the Guarantor**

	Six months ended 30 June		Year ended 31 December	
	2000	2001	1999 <sup>(1)</sup>	2000
	(unaudited)		(audited)	
	(in thousands of Euro)			
Revenues from sales and services .....	169,183	212,148	143,834	335,332
Other operating income .....	856	1,644	697	1,923
Cost of sales .....	(153,571)	(184,176)	(133,427)	(298,694)
Payroll costs .....	(10,647)	(15,953)	(4,973)	(23,434)
Provisions and writedowns .....	—	—	—	(371)
Other operating charges.....	(343)	(94)	(464)	(261)
Income from fixed assets by internal production..	—	455	—	1,272
<b>EBITDA</b> .....	<b>5,478</b>	<b>14,024</b>	<b>5,667</b>	<b>15,767</b>
Depreciation and amortisation .....	(1,723)	(4,690)	(2,139)	(5,276)
<b>EBIT</b> .....	<b>3,755</b>	<b>9,334</b>	<b>3,528</b>	<b>10,491</b>
Financial income (charges) .....	1,304	(2,476)	(369)	(916)
Extraordinary income (charges) .....	1,701	(69)	206	1,232
<b>Net Profit before income and taxes</b> .....	<b>6,760</b>	<b>6,789</b>	<b>3,365</b>	<b>10,807</b>
Taxes on income .....	(856)	(3,834)	(204)	(3,862)
<b>Net Profit</b> .....	<b>5,904</b>	<b>2,955</b>	<b>3,161</b>	<b>6,945</b>

(1) For the year ended 31 December 1999, the Guarantor had no subsidiaries.

Consolidated Balance Sheets of the Guarantor<sup>(1)</sup>

	As at 30 June		As at 31
	2000	2001	December
	(unaudited)		(audited)
	(in thousands of Euro)		
Intangible fixed assets .....	7,401	20,632	21,623
Tangible fixed assets .....	9,131	22,440	14,623
Investments and other fixed costs .....	222	334	404
Fixed assets .....	16,754	43,406	36,650
Inventories .....	36,897	50,139	65,091
Trade receivables .....	66,096	145,302	77,956
Other receivables .....	14,852	58,912	21,761
Accrued income and prepayments .....	—	—	—
Operating assets .....	117,845	254,353	164,808
Trade payables .....	(107,416)	(169,315)	(144,442)
Other payables .....	(16,072)	(16,274)	(9,892)
Accrued expenses and deferred income .....	—	—	—
Operating liabilities .....	(123,488)	(185,589)	(154,334)
Working capital .....	(5,643)	68,764	10,474
Reserve for severance liabilities .....	(6,497)	(9,661)	(9,497)
Reserve for risks and future liabilities .....	—	—	—
Net capital employed .....	4,614	102,509	37,627
Shareholders' equity .....	12,043	54,881	13,273
Net financing position .....	(7,429)	47,628	24,354
of which due over one year .....	9,019	23,260	22,228
Shareholders' equity and net financing position .....	4,614	102,509	37,627

(1) For the year ended 31 December 1999, the Guarantor had no subsidiaries.

Unconsolidated Income Statements of the Guarantor

	Six months ended 30 June		Years ended 31 December	
	2000	2001	1999	2000
	(unaudited)		(audited)	
	(in thousands of Euro)			
Revenues from sales and services .....	154,496	159,949	143,834	302,403
Other operating income .....	—	957	697	215
Cost of sales .....	(146,510)	(146,812)	(133,427)	(284,703)
Payroll costs .....	(5,016)	(6,277)	(4,973)	(8,901)
Provisions and writedowns .....	—	—	—	(293)
Other operating charges.....	(258)	(43)	(464)	(72)
Income from fixed assets by internal production..	239	—	—	411
<b>EBITDA</b> .....	<b>2,951</b>	<b>7,774</b>	<b>5,667</b>	<b>9,060</b>
Depreciation and amortisation .....	(836)	(1,399)	(2,139)	(1,832)
<b>EBIT</b> .....	<b>2,115</b>	<b>6,375</b>	<b>3,528</b>	<b>7,228</b>
Financial income (charges)	2,330	(811)	(369)	922
Extraordinary income (charges)	1,845	108	206	1,641
<b>Net Profit before income and taxes</b> .....	<b>6,290</b>	<b>5,672</b>	<b>3,365</b>	<b>9,791</b>
Taxes on income .....	(382)	(2,792)	(204)	(2,554)
<b>Net Profit</b> .....	<b>5,908</b>	<b>2,880</b>	<b>3,161</b>	<b>7,237</b>

Unconsolidated Balance Sheets of the Guarantor

	As at 30 June		As at 31 December	
	2000	2001	1999	2000
	(unaudited)		(audited)	
	(in thousands of Euro)			
Intangible fixed assets .....	46	2,545	1,377	7,177
Tangible fixed assets .....	3,961	6,583	6,816	4,395
Investments and other fixed costs.....	66	21,204	66	6,387
Fixed assets .....	4,073	30,332	8,259	17,959
Inventories .....	24,193	28,345	42,558	35,994
Trade receivables .....	39,564	96,255	60,409	56,733
Other receivables.....	1,738	47,478	9,559	19,873
Accrued income and prepayments .....	—	—	—	—
Operating assets .....	65,495	172,078	112,526	112,600
Trade payables .....	(62,391)	(117,050)	(81,089)	(101,948)
Other payables .....	(5,950)	(8,901)	(1,817)	(5,484)
Accrued expenses and deferred income.....	—	—	—	—
Operating liabilities.....	(68,341)	(125,951)	(82,906)	(107,432)
Working capital .....	(2,846)	46,127	29,620	5,168
Reserve for severance liabilities .....	(2,533)	(3,263)	(1,097)	(3,385)
Reserve for risks and future liabilities .....	—	—	—	—
Net capital employed .....	(1,306)	73,196	36,782	19,742
Shareholders' equity .....	12,107	54,967	10,526	13,435
Net financing position .....	(13,413)	18,229	26,256	6,307
of which due over one year .....	—	6,504	1,882	11,313
Shareholders' equity and net financing position....	(1,306)	73,196	36,782	19,742

## TAXATION

*The following is a general description of certain Luxembourg and Italian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Luxembourg and Italy of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.*

### Luxembourg

Under Luxembourg tax law currently in effect, there is no withholding tax on payment of principal, interest, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon the redemption of the Notes.

Noteholders who are non-residents of Luxembourg and who do not hold Notes through a permanent establishment in Luxembourg are not liable for Luxembourg income tax on payments of principal, interest, accrued but unpaid interest or upon redemption of, or on capital gains on sale of, any Notes.

No stamp, value added, issue, registration, transfer or similar taxes or duties will, under present

Luxembourg law, be payable in Luxembourg by the holders of the Notes in connection with the issue of the Notes.

### Italy

#### Income Tax

##### *Payments by the Issuer*

To the extent that the Notes qualify as “*obbligazioni o titoli similari*” pursuant to Art. 41, paragraph 2(c), of Presidential Decree No. 917 of 22 December 1986, and have a maturity of not less than 18 months, under the provisions of Legislative Decree No. 239 of 1 April 1996, as amended and restated (“*Decrete No. 239/1996*”), payments of interest and other proceeds in respect of the Notes to Italian resident beneficial owners:

- (a) will be subject to a final imposta sostitutiva (substitute tax) at the rate of 12.5 per cent. in Italy if made to beneficial owners who are: (i) individuals resident in Italy for tax purposes holding Notes not in connection with entrepreneurial activity (unless they have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the risparmio gestito regime provided for by Article 7 of Legislative Decree No. 461 of 21 November 1997 – the “*Asset Management Option*”); (ii) Italian resident partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations; (iii) Italian resident public and private entities, other than companies, not carrying out commercial activities; (iv) Italian resident real estate investment funds established before 26 September 2001 pursuant to Italian Law No. 86 of 25 January 1994, unless the managing company of the funds has opted for the application of the new regime provided for by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 (“*Decrete No. 351*”), or (v) Italian resident entities exempt from corporate income tax.

The 12.5 per cent. final *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes.

- (b) Where interest and other proceeds on the Notes are not collected through the intervention of an Italian resident qualified financial intermediary and as such no *imposta sostitutiva* is applied, the beneficial owners listed above under (i) to (v) will be required to declare interest and other proceeds in their yearly tax return and subject them to final substitute tax at a rate of 12.5 per cent. unless option for a different regime is allowed and made. The individual beneficial owners indicated above under (i) may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of interest and other proceeds on the Notes: if so, the beneficial owners should generally benefit from a tax credit for withholding taxes applied outside Italy, if any; and

will not be subject to the imposta sostitutiva at the rate of 12.5 per cent. if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of non resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment

funds and Italian resident pension funds referred to in Legislative Decree No. 124 of 21 April 1993 (in case of Italian Pension Funds, for interest and other proceeds accrued as of 1 January 2001); or (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option.

To ensure payment of interest and other proceeds in respect of the Notes without the application of the "*imposta sostitutiva*", Italian investors indicated above sub-paragraph (b) must timely deposit the Notes together with the coupons relating to such Notes with an authorised Italian financial intermediary.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised Italian financial intermediary and have opted for the Asset Management Option, are subject to a 12.5 per cent. annual substitutive tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued, even if not realised, at the end of each tax year (which increase includes interest and other proceeds accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian resident collective investment funds are subject to a 12.5 per cent. annual substitutive tax (the "**Collective Investment Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued on the Notes).

As at 1 January 2001, Italian resident pension funds subject to the regime provided by Arts. 14, 14-*ter* and 14-*quater*, paragraph 1, of Italian Legislative Decree No. 124 of 21 April 1993 are subject to a 11 per cent. annual substitutive tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (such increase would include interest and other proceeds accrued on the Notes as of 1 January 2001).

Interest and other proceeds accrued on the Notes will be included in the taxable business income (and in certain cases, depending on the status of the Noteholders, may also be included in the taxable net value of production) of beneficial owners who are Italian resident corporations and permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules. A tax credit for withholding taxes applied outside Italy, if any, should be generally available.

Pursuant to Decree No. 351, under the current tax legislation the 12.5 per cent. *imposta sostitutiva* indicated in sub-paragraph (a) above does not apply as to payments of interest and other proceeds in respect of the Notes to beneficial owners of Notes who are Italian resident real estate investment funds established, starting from 26 September 2001, pursuant to Art. 37 of Legislative Decree No. 58 of 24 February 1998, and Art. 14-*bis* of Law No. 86 of 25 January 1994. In particular, such Italian resident real estate investment funds are subject to an annual 1 per cent. substitute tax on the accounting net value of the fund.

However, according to Decree No. 351, Italian resident real estate investment funds already existing as of 26 September 2001 continue to be subject to the Italian 12.5 per cent. *imposta sostitutiva* on payments of interest and other proceeds on the Notes, unless the managing company of the funds opts for the application of the new regime, including the new tax regime, provided for by Decree No. 351.

Any positive difference between the nominal amount of the Notes and their issue price is deemed to be interest for tax purposes.

Without prejudice to the above provisions, in the event that the Notes are redeemed in full or in part prior to eighteen months from the Issue Date, in certain cases the beneficial owners may be required to pay an additional amount equal to 20 per cent. of the interest accrued on the Notes up to the time of the early redemption. This additional amount may be levied by the Italian withholding agents that will intervene in the collection of interest and other proceeds on the Notes or in the redemption of the Notes. In accordance with one interpretation of Italian fiscal law, also in the event of purchase of Notes by the issuer with subsequent cancellation thereof prior to eighteen months from the issue date, in certain cases the beneficial owners may be required to pay the above additional amount equal to 20 per cent. of interest and other proceeds accrued on the Notes up to the time of the early purchase.

Payments on the Notes received by beneficial owners who are not resident of Italy for tax purposes, without a permanent establishment in Italy to which the Notes are effectively connected, should not be subject to any Italian withholding or substitute tax.

### *Payments by the Guarantor*

There is no authority directly on point regarding the Italian tax regime of payments made by the Guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian Revenue Authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

In accordance with one interpretation of Italian Fiscal Law, payments by the Guarantor to beneficial owners of Notes under the Guarantee should be treated as payments by the Issuer and subject to the same tax treatment as payments by the Issuer. In particular, payments to non-resident holders made by the Guarantor under the Guarantee, which payments represent interest payable on the debt securities, should not be subjected to any withholding or substitute tax in Italy and payments to resident holders made by the Guarantor under the Guarantee, which payments represent interest payable on the debt securities, would be subjected to the Italian tax regime described above in the paragraph *Income Tax – Payments by the Issuer*.

In accordance with another interpretation of Italian fiscal law, payments by the Guarantor to beneficial owners of Notes under the Guarantee may be subject in certain circumstances to Italian withholding tax at a rate of 12.5 per cent., final or on account, depending on the *status* of the beneficial owners, pursuant to Art. 26, paragraph 5, of Presidential Decree No. 600 of 29 September 1973. In case of beneficial owners which are non resident of Italy for tax purposes, the withholding tax should be final and should be applied at the rate of 27 per cent. if payments are made by the Guarantor under the Guarantee to non-Italian resident beneficial owners which are resident for tax purposes in tax haven countries listed by Decree of the Ministry of Finance 24 April 1992, as amended. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding.

### *Capital Gains*

Any capital gain realised upon the sale for consideration or redemption of the Notes will be treated as part of the taxable business income (and in certain cases, depending on the *status* of the Noteholders, may also be included in the taxable net value of production), subject to tax in Italy according to the relevant tax provisions, if derived by Noteholders who are:

- Italian resident corporations;
- permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or
- Italian resident individuals carrying out a commercial activity as to any capital gains realised within the scope of the commercial activity carried out.

Pursuant to Italian Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Noteholders who are Italian resident individuals holding Notes not in connection with entrepreneurial activity and certain other persons upon sale of the Notes for consideration or redemption thereof will be subject to a final *imposta sostitutiva* at the current rate of 12.5 per cent. Under the tax declaration regime (the *regime della dichiarazione*), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity, the 12.5 per cent. *imposta sostitutiva* on capital gains will be chargeable on a cumulative basis on all capital gains, net of any incurred capital loss, realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity pursuant to all disposals of Notes carried out during any given tax year.

Italian resident individuals not engaged in entrepreneurial activity must report overall capital gains realised in any tax year, net of any incurred capital loss, in the annual tax declaration to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Noteholders who are Italian resident individuals holding Notes not in connection with entrepreneurial activity may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale for consideration or redemption of the Notes (the “*Risparmio Amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. The financial intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited

to the Noteholder. Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains subsequently realised in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Law Decree No. 350 of 25 September 2001, converted into law with amendments by Law No. 409 of 23 November 2001 ("Decree No. 350") has abolished, starting from 4 August 2001, the *equalizzatore*, previously applicable in certain cases to the capital gains realised under the tax declaration and *Risparmio Amministrato* regimes.

Any capital gains realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

Any capital gains realised by Noteholders who are Italian-resident collective investment funds will be included in the computation of the taxable basis of the Collective Investment Fund Tax.

Any capital gains realised as of 1 January 2001 by Noteholders who are Italian resident pension funds will be included in the computation of the taxable basis of Pension Fund Tax.

Any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market, in Italy or abroad (including the Luxembourg Stock Exchange) and in certain cases subject to filing of required documentation, even if the Notes are held in Italy and regardless of the provisions set forth by an applicable double tax treaty.

#### ***Inheritance and Gift Tax***

According to Law No. 383 of 18 October 2001, starting from 25 October 2001, Italian inheritance and gift tax, previously payable on the transfer of Notes as a result of death or donation, has been abolished.

However, according to the current literal interpretation of such Law, for donees other than spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent that the value of the gift attributable to each donee exceeds Lire 350 million, the gift of Notes may be subject to the ordinary transfer taxes provided for the transfer thereof for consideration. Future official ministerial communication and guidelines should clarify this point.

Moreover, an anti-avoidance rule is provided by the above-mentioned Law for the gift of assets, which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Italian Legislative Decree No. 461 of 21 November 1997, such as the Notes. In particular, when the donee sells the Notes for consideration within five year from the receipt thereof as gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift had never taken place.

#### ***Transfer Tax***

Pursuant to Legislative Decree No. 435 of 21 November 1997, in general transfers of Notes by or to Italian residents may be subject to Italian transfer tax in the following cases and at the following rates:

- (a) Lit. 9 per Lit. 100,000 or fraction thereof of the price at which the Notes are transferred if the transaction is entered into between:
  - (i) banks, SIMs, other investment companies regulated by Legislative Decree No. 415 of 23 July 1996 (as superseded by Legislative Decree 24 February 1998, No. 58) or stockbrokers and private parties;
  - (ii) private parties through banks, SIMs, other investment companies regulated by Legislative Decree No. 415 of 23 July 1996 (as superseded by Legislative Decree 24 February 1998, No. 58) or stockbrokers; or
  - (iii) banks, SIMs, other investment companies regulated by Legislative Decree No. 415 of 23 July 1996 (as superseded by Legislative Decree 24 February 1998, No. 58) or stockbrokers among themselves.

However, in the above cases, the amount of transfer tax cannot exceed Lit. 1.8 million for each transaction; and

- (b) Lit. 16 per Lit. 100,000 or fraction thereof, of the price at which the Notes are transferred if the transaction is entered into between private parties directly or between private parties through intermediaries other than those listed in subparagraph (iii) of paragraph (a) above.

In general, however, transfer tax does not apply, *inter alia*, to transfers of Notes pursuant to:

- (a) contracts concluded in regulated markets (including the Luxembourg Stock Exchange) including contracts between a qualified intermediary and his principal and between qualified intermediaries;
- (b) off-market transactions regarding Notes listed on regulated markets, provided that such transactions occurred between:
- (i) banks, SIMs, other investment companies regulated by Legislative Decree No. 415 of 23 July 1996 (as superseded by Legislative Decree 24 February 1998, No. 58) or stockbrokers;
  - (ii) the subjects mentioned in paragraph (i) above, on the one hand, and non-Italian residents, on the other hand; or
  - (iii) the subjects mentioned in paragraph (i) above, even non-Italian resident, on the one hand, and undertakings for collective investment in transferable securities, on the other hand;
- (c) contracts related to sales of securities occurring in the context of a public sale offering (*offerta pubblica di vendita*) aimed at listing the securities on regulated markets or involving financial instruments already listed on regulated markets; and
- (d) contracts regarding securities not listed on regulated markets entered into between (i) banks, SIMs, other investment companies regulated by Legislative Decree No. 415 of 23 July 1996 (as superseded by Legislative Decree 24 February 1998, No. 58) or stockbrokers, on the one hand and (ii) non-Italian resident, on the other hand.

#### **Tax Monitoring Obligations**

Italian resident individuals holding Notes not in connection with entrepreneurial activity will be required to report in their yearly income tax return, for tax monitoring purposes:

- the amount of Notes held at the end of each tax year, if exceeding in the aggregate 20 million lire;
- the amount of any transfers from abroad, towards abroad and occurred abroad, related to the Notes, occurred during each tax year, if exceeding in the aggregate 20 million lire. This also in the case that the end of the tax year the Notes are no longer held by Italian individuals.

Italian individuals will however not be required to comply with the above reporting requirements in respect of Notes deposited for management with qualified Italian financial intermediaries and in respect of contracts entered into through their intervention, upon condition that the items of income derived from the Notes are collected through the intervention of the same intermediaries.

#### **Proposed European Savings Tax Directive**

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that member states of the European Union (each a "Member State" and together, "Member States") will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final and they may be subject to further amendment and/or clarification.

## SUBSCRIPTION AND SALE

Caboto Holding SIM S.p.A. (the "Sole Bookrunner") has, in a subscription agreement dated 30 November 2001 (the "Subscription Agreement") and made between the Issuer, the Guarantor and the Sole Bookrunner upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 99.673 per cent. of their principal amount in relation to Euro 125,000,000 principal amount of Notes and 99.04 per cent. of their principal amount in relation to Euro 25,000,000 principal amount of Notes less a combined management, underwriting and selling commission of 0.55 per cent. of their principal amount. The Issuer (failing which, the Guarantor) has also agreed to reimburse Caboto for certain of its expenses incurred in connection with the management of the issue of the Notes. The Sole Bookrunner is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

The Guarantor has outstanding Euro 23 million in subordinated notes which it will repurchase with proceeds from the issue of the Notes. See "Use of Proceeds" and "Description of the Guarantor – Recent Developments".

Set out below is a summary of the principal restrictions on offers and sales of the Notes.

### United States of America

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

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

The Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

### United Kingdom

The Sole Bookrunner has represented, warranted and undertaken to the Issuer and the Guarantor that:

- it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date of the Notes, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Regulations;
- it has only issued or passed on and will only issue or pass on in the United Kingdom, before the repeal of section 57 of the Financial Services Act 1986 (the "FSA"), any document received by it in connection with the issue of Notes to a person who is of a kind described in article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, or is a person to whom such document may otherwise lawfully be issued or passed on. After the repeal of section 57 of the FSA it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of such Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor); and
- it has complied and will comply with all applicable provisions of the FSA and, after they come into force, all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, the Sole Bookrunner has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in Italy in a solicitation to the public, and that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations.

The Sole Bookrunner has represented that it will not offer, sell or deliver any Notes or distribute copies of the Offering Circular or any other document relating to the Notes in Italy except:

- (a) to "professional investors", as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998, as amended ("**Regulation No. 11522**"), pursuant to Article 30.2 and 100 of Legislative Decree No. 58/1998 of 24 February 1998 ("**Decree No. 58/1998**"), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58/1998 or CONSOB Regulation No. 11971 of 14 May 1999, as amended, applies, provided however, that any such offer, sale or delivery of Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in Italy must be:
  - (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 ("**Decree No. 385/1993**"), Decree No. 58/1998, Regulation No. 11522 and any other applicable laws and regulations;
  - (ii) in compliance with Article 129 of Decree No. 385/1993 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the amount of the issue and the characteristics of the securities, applies; and
  - (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy; or
- (b) to Italian residents who submit unsolicited offers to the Sole Bookrunner to purchase the Notes.

### Luxembourg

Notes may not be offered in Luxembourg in circumstances that would constitute a public offering in Luxembourg unless the requirements of Luxembourg law concerning public offerings of securities in Luxembourg have been met.

### General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Sole Bookrunner that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Sole Bookrunner to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

## GENERAL INFORMATION

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 26 November 2001. The giving of the Guarantee of the Notes has been authorised by a resolution of the Board of Directors of the Guarantor dated 29 November 2001.
2. Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer, the Guarantor or the Group or any of their assets, nor is the Issuer or the Guarantor aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes or the giving of the Guarantee or which might have a material adverse effect on the Issuer, the Guarantor or the Group.
3. Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise), general affairs or prospects of the Issuer since its incorporation on 3 August 2001 or of the Guarantor or the Group since 31 December 2000 that is material in the context of the issue of the Notes or the giving of the Guarantee.
4. For so long as any of the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the Specified Office of each Paying Agent:
  - the Fiscal Agency Agreement;
  - the Deed of Covenant;
  - the Deed of Guarantee; and
  - the documents and information set out in Condition 4.4 of the Terms and Conditions of the Notes.
5. For so long as any of the Notes are outstanding, copies of the following documents (together with English translations thereof) may be obtained during normal business hours at the Specified Office of each Paying Agent:
  - the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2000 and the audited unconsolidated financial statements of the Guarantor as at and for the years ended 31 December 1999 and 2000;
  - the unaudited consolidated and unconsolidated financial statements of the Guarantor as at and for the six months ended 30 June 2001; and
  - the latest published unaudited interim and audited year-end consolidated and unconsolidated financial statements of the Issuer and the Guarantor.

The Issuer does not currently publish interim financial statements or consolidated financial statements.
6. In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the constitutive documents of the Issuer and the Guarantor (together, in case of the Guarantor, with English translations thereof) and a legal notice relating to the issue of the Notes will be deposited prior to listing with the *Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*, where they may be inspected and copies obtained upon request. The Articles of Incorporation of the Issuer are expected to be published in the *Mémorial Recueil des Sociétés et Associations*.
7. The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code*". The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0138653372 and the common code is 13865337.

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