



M&G FINANCE LUXEMBOURG S.A.

(incorporated as a public limited company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg having its registered office at 3, boulevard de la Foire, L-1528 Luxembourg and registered with the Luxembourg trade and companies register under number B-123792)

€200,000,000

Undated Subordinated Fixed/Floating Rate Cumulative Securities

Guaranteed on a joint and several, and a subordinated basis by

Mossi & Ghisolfi International S.A.

M&G México Holding, S.A. de C.V.

M&G Polimeri Italia S.p.A. and

M&G Polymers USA, LLC

Issue Price: 98.688 per cent.

M&G Finance Luxembourg S.A. (the "Issuer") will issue on 9 March 2007 the €200,000,000 Undated Subordinated Fixed/Floating Rate Cumulative Securities (the "Securities") irrevocably guaranteed on a joint and several, and a subordinated basis by (i) Mossi & Ghisolfi International S.A. (the "Parent Guarantor") under a deed of guarantee executed by the Parent Guarantor on 9 March 2007 (the "Parent Guarantee"), and (ii) each initial Subsidiary Guarantor (being M&G México Holding, S.A. de C.V., M&G Polimeri Italia S.p.A. and M&G Polymers USA, LLC (and, together with any additional Subsidiary Guarantor as contemplated by the Conditions, each a "Subsidiary Guarantor" and together the "Subsidiary Guarantors" and together with the Parent Guarantor, the "Guarantors") under its respective deed of guarantee (each a "Subsidiary Guarantee" and, together with the Parent Guarantee, a "Guarantee" and together the "Guarantees"). The obligations of the Guarantors under the Guarantees are joint and several. Capitalised terms not otherwise defined are defined in the terms and conditions of the Securities (the "Conditions"). The Securities are bearer securities and will bear remuneration on their principal amount (i) from (and including) 9 March 2007 to (but excluding) 9 March 2012 at a fixed rate of 7.50 per cent. per annum payable annually in arrear on 9 March in each year and commencing on 9 March 2008 (each a "Fixed Remuneration Payment Date") and (ii) thereafter at a floating rate of remuneration which, subject only to Condition 8.2, shall be equal to the sum of (i) the Reference Rate, (ii) a margin equal to 3.75 per cent. and (iii) the Step-up Margin, payable quarterly in arrear on or about 9 June, 9 September, 9 December and 9 March in each year commencing on or about 9 June 2012.

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves, as further described in Condition 2.

The Securities are undated securities in respect of which there is no fixed maturity date. The Issuer is not required to redeem or repay the Securities but the Issuer may, at its option (with the approval of all the Guarantors), redeem or repay the Securities or purchase them in the limited circumstances described in the Conditions, so long as a Senior Obligation Suspension Event has not occurred nor is continuing. The Securities are not redeemable at the option of the Holders at any time. Subject to certain restrictions, the Issuer (or any Guarantor on behalf of the Issuer) may elect to defer payment of remuneration on the Securities. The Issuer is required to defer remuneration on the Securities and may not pay any remuneration previously deferred in the case of a Senior Obligations Suspension Event.

Subject as set out above, the Issuer may, at its option (with the approval of all the Guarantors), by giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Holders, elect to redeem all, but not some only, of the Securities on the First Call Date or on any Remuneration Payment Date thereafter at their Optional Redemption Price, plus any Accrued Remuneration.

If at any time while any of the Securities remains outstanding, a Change of Control Event occurs, then the Issuer may at its option (with the approval of all the Guarantors) redeem all, but not some only, of the Securities, as further described in the Conditions.

Payments on the Securities will be made without deduction for, or on account of, taxes imposed or levied by any Tax Jurisdiction to the extent described in the Conditions.

No application has been made to list the Securities on any stock exchange. The Securities may not be offered to the public in the Grand Duchy of Luxembourg.

The Securities and the Guarantees have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Securities are being offered outside the United States 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 U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Investing in the Securities involves risks, which are described in the "Risk Factors" section beginning on page 11 of this Prospectus.

The Securities will initially be in the form of a temporary global security (the "Temporary Global Security") without remuneration coupons (the "Coupons") which will be deposited on or around 9 March 2007 (the "Closing Date") with Deutsche Bank AG, London Branch as common depositary for, and in respect of interests held through, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). The Temporary Global Security will be exchangeable, in whole or in part, for interests in a permanent global security (the "Permanent Global Security"), without remuneration coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable in certain limited circumstances in whole, but not in part, for Securities in definitive bearer form in the denominations of €50,000 each with Coupons and a talon (the "Talons") attached on issue. See "Summary of Provisions Relating to the Securities in Global Form".

Manager

Deutsche Bank

This Prospectus is dated 7 March 2007

The Issuer and each of the Guarantors accepts responsibility for the information contained in this Prospectus. To the best knowledge of the Issuer and each of the Guarantors (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect materially the import of such information.

Neither the Issuer nor any of the Guarantors has authorised the making or provision of any representation or information regarding the Issuer, the Guarantors, M&G International the Guarantees or the Securities other than as contained in this Prospectus or as expressly approved for such purpose by the Issuer and/or any of the Guarantors. Any other representation or information should not be relied upon as having been authorised by the Issuer, any Guarantor or the Manager.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Security shall in any circumstances create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, any of the Guarantors or M&G International since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, any of the Guarantors or the Manager to subscribe for or purchase, any Securities.

The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager or any of its affiliates as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantors in connection with the issue and sale of the Securities.

The distribution of this Prospectus and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantors and the Manager to inform themselves about and to observe any such restrictions. Neither this Prospectus nor any part of it constitutes an offer, and may not be used for the purpose of an offer, to sell any of the Securities, or a solicitation of an offer to buy any of the Securities, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. In particular, the Securities have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Securities may not be offered, sold or delivered in the United States or to U.S. persons. The Securities are subject to United States tax law requirements. For a description of certain restrictions on offers, sales and deliveries of the Securities and on the distribution of this Prospectus and other offering material relating to the Securities, see "Subscription and Sale".

Neither this Prospectus nor any other information supplied in connection with the issue and sale of the Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantors or the Manager that any recipient of this Prospectus or any other information supplied in connection with the issue and sale of the Securities should purchase any Securities. Neither this Prospectus nor any other information supplied in connection with the issue and sale of the Securities constitutes an offer or invitation by or on behalf of the Issuer, the Guarantors or the Manager to any person to subscribe for or to purchase any Securities.

In making an investment decision regarding the Securities, prospective investors should rely on their own independent investigation and appraisal of (a) each of the Issuer, the Guarantors, M&G International and their respective business, financial condition and affairs and (b) the terms of the offering, including the merits and risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Securities. Potential investors should, in particular, read carefully the section entitled "Risk Factors" set out below before making a decision to invest in the Securities.

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Order (all such persons together being referred to as “relevant persons”). The Securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

This Prospectus has been prepared on the basis that all offers of the Securities will be made pursuant to an exemption under EC Directive 2003/71/EC (the “Prospectus Directive”) in member states of the European Economic Area (the “EEA”) which have implemented the Prospectus Directive (each a “Relevant Member State”), from the requirement to produce a prospectus for offers of the Securities. Any person making or intending to make any offer in a Relevant Member State or elsewhere of the Securities should only do so in circumstances in which no obligation arises for the Issuer, the Guarantors or the Manager to produce a prospectus for such offer. Neither the Issuer, the Guarantors nor the Manager has authorised, nor do they authorise, the making of any offer of the Securities through any financial intermediary, other than offers made by the Manager which constitute the final placement of the Securities contemplated in this Prospectus.

Neither the Securities, this Prospectus nor any other material relating to the Securities will be offered, sold, distributed or otherwise made available in the Grand Duchy of Luxembourg other than in compliance with the Luxembourg law of 10 July 2005 on prospectuses for securities.

The Securities are intended to be offered and sold only to professional investors and in compliance with all applicable laws and regulations. In particular, the Securities are intended to be offered or sold in the Republic of Italy only to professional investors as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended, and in compliance with Italian securities legislation and regulations, including the provisions of Article 2412 of the Italian Civil Code and its implementing regulations.

In this Prospectus, unless otherwise specified, references to “Euro”, “EUR” or “€” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, and references to “US\$”, “USD” and “US dollars” are to the lawful currency of the United States of America.

Certain figures included in this Prospectus 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 the issue of the Securities, Deutsche Bank AG, London Branch (the “Stabilising Manager”) or any person acting on its behalf may over-allot or effect transactions with a view to supporting the market price of the Securities at a higher level than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake such stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities or 60 days after the date of the allotment of the Securities. Any stabilisation shall be conducted in accordance with applicable laws, regulations and rules.

Some of the statements contained in this Prospectus constitute forward-looking statements. Statements that are not historical facts, including statements about the Issuer’s and the Parent Guarantor’s beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date that they are

made and the Issuer undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Issuer cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement including, among other things:

- M&G International's ability to develop and expand its business;
- M&G International's ability to keep up with new technologies and expand into new markets;
- M&G International's ability to reduce costs;
- overall economic conditions in the regions where M&G International operates;
- volatility in the world's securities markets;
- the effects of regulation (including tax regulations) in the regions where M&G International operates;
- capital spending and financial resources;
- M&G International's future revenues; and
- other factors described under "Risk Factors".

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SUMMARY OF THE OFFERING

The summary below describes the principal terms of the Securities. The Conditions described below are subject to important limitations and exceptions. The “Terms and Conditions of the Securities” section of this Prospectus contains a more detailed description of the Conditions of the Securities, including the definitions of certain terms used in this summary. Any decision by an investor to invest in the Securities should be based on a consideration of this Prospectus taken as a whole.

Issuer	M&G Finance Luxembourg S.A.
Guarantors	The payment of the principal of, and remuneration in respect of, the Securities has been irrevocably guaranteed on a joint and several, and a subordinated basis by Mossi & Ghisolfi International S.A. and, initially, each of M&G México Holding, S.A. de C.V., M&G Polimeri Italia S.p.A. and M&G Polymers USA, LLC. Further Subsidiary Guarantors may be added as described below and any Subsidiary Guarantor which has ceased to be a Subsidiary (as defined in Condition 21) may be discharged from its obligations under its Subsidiary Guarantee.
Closing Date	9 March 2007.
Issue Price	98.688 per cent. of the principal amount of the Securities.
Securities Offered	€200,000,000 Undated Subordinated Fixed/Floating Rate Cumulative Securities. The Securities are undated securities in respect of which there is no fixed maturity date.
Remuneration	Subject as set out below, the Issuer will pay remuneration on the Securities on their principal amount (i) from (and including) 9 March 2007 (the “Remuneration Commencement Date”) to (but excluding) 9 March 2012 (the “First Call Date”) (such period being the “Fixed Remuneration Payments Period”) at a fixed rate of 7.50 per cent. per annum (the “Fixed Rate of Remuneration”) payable annually in arrear on 9 March in each year and commencing on 9 March 2008 (each a “Fixed Remuneration Payment Date”). Following the expiry of the Fixed Remuneration Payments Period (such subsequent period being the “Floating Remuneration Payments Period”), the Securities will bear remuneration on their principal amount at a floating rate of remuneration (the “Floating Rate of Remuneration”) which, subject to Condition 8.2, shall be equal to the sum of (i) the Reference Rate (as defined in Condition 4.3), (ii) a margin equal to 3.75 per cent. and (iii) the Step-up Margin (also as defined in Condition 4.3), payable quarterly in arrear on or about 9 June, 9 September, 9 December and 9 March in each year commencing on or about 9 June 2012 (each a “Floating Remuneration Payment Date” and together with each Fixed Remuneration Payment Date, a “Remuneration Payment Date”), all as further described in Condition 4.
Remuneration Payment and Deferral	The Issuer (or any Guarantor on behalf of the Issuer) may elect to defer payment of remuneration on the Securities in accordance with Condition 5. For so long as any of the Senior

Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities (each as defined in the Conditions) relating to “Qualified Subordinated Indebtedness”, the Issuer is required to defer remuneration on the Securities and may not pay any Deferred Remuneration (as defined in Condition 5.3) in the case of a Senior Obligations Suspension Event (as defined in the Conditions), as further described in Condition 5.

Payments of remuneration that are deferred will constitute Deferred Remuneration and, subject as described above, may be payable at a later date in accordance with Condition 5. Deferred Remuneration will not itself bear interest.

Redemption and Purchase

The Issuer is not required to redeem or repay the Securities in any circumstances but the Issuer may (with the approval of all the Guarantors) at its option elect to redeem or repay the Securities or purchase them in accordance with Condition 7 or as provided in Condition 8.

Subject as set out below, the Issuer may, at its option (with the approval of all the Guarantors), by giving not less than 30 nor more than 60 days’ notice to the Fiscal Agent and the Holders, elect to redeem all, but not some only, of the Securities on the First Call Date or on any Remuneration Payment Date thereafter (each an “Optional Redemption Date”) at their Optional Redemption Price, plus any Accrued Remuneration, as further defined and described in Condition 7.

Subject as set out below, the Issuer may, at its option (with the approval of all the Guarantors), by giving not less than 30 nor more than 60 days’ notice to the Fiscal Agent and the Holders, elect to redeem all, but not some only, of the Securities at any time (on or prior to the First Call Date) or on any Remuneration Payment Date (following the First Call Date) upon the occurrence of an Additional Amounts Event, Tax Event or Accounting Event or in the event that the Issuer and/or its Affiliates (as defined in Condition 21) have purchased and cancelled Securities equal to or in excess of 75 per cent. of the aggregate principal amount of the Securities initially issued, in each case at a redemption price as further defined and described in Condition 7.

For so long as any of the Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to “Qualifying Subordinated Indebtedness” the Issuer may not exercise its right to redeem and repay the Securities and the Issuer and/or its Affiliates may not purchase and pay for any Securities if and so long as a Senior Obligations Suspension Event has occurred and is continuing.

No Events of Default

For the avoidance of doubt, Holders and Couponholders have no acceleration rights in respect of the Securities. If a

Remedies Event occurs and is continuing, any Holders may, having first given written notice to the Issuer and the Fiscal Agent, institute proceedings to obtain the payment of any amounts due (provided that no Senior Obligations Suspension Event has occurred and is continuing) or, as the case may be, compliance with the defaulted obligation, provided that the Holders and Couponholders may not (a) declare the aggregate amount of the Securities due and payable, and (b) while any Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to “Qualifying Subordinated Indebtedness”, may not initiate any bankruptcy, insolvency or similar proceedings with respect to the Issuer or any Guarantor.

Ranking of Securities

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves, as further described in Condition 2.

Ranking of Guarantees

The payment obligations of each Guarantor under its respective Guarantee constitute direct, unsecured and subordinated obligations of the relevant Guarantor, as further described in Condition 3.

Replacement Capital

It is the intention of the Parent Guarantor to reinforce the permanence of the funding provided by the Securities in the capital structure of the Parent Guarantor’s group. To that end, it is the intention of the Issuer (without conferring any legally enforceable rights on the Holders or Couponholders in this respect) to fund any future redemption of the Securities (other than a redemption consequent upon a Change of Control Event pursuant to Condition 8.1) through proceeds raised in the period of six months preceding such redemption through the issuance of other securities either by the Parent Guarantor or by a Subsidiary whose securities (if not constituting a class of its share capital) will have the benefit of a guarantee from the Parent Guarantor, in either case with an aggregate amount of equity credit at least equal to the aggregate equity credit ascribed to the Securities at the time of issuance of such replacement securities.

Additional Subsidiary Guarantors

Subject as set out in the Conditions, the Parent Guarantor will cause each Subsidiary (other than a then existing Subsidiary Guarantor so long as its Subsidiary Guarantee is in effect at the relevant time) that becomes a borrower or a guarantor under or in respect of a Credit Facility (as defined in the Conditions) to become a Subsidiary Guarantor, as further described in Condition 3.

Withholding Tax

Payments on the Securities will be made without withholding or deduction for, or on account of, taxes imposed or levied by any Tax Jurisdiction (as defined in Condition 9) to the extent further described in Condition 9.

<i>Change of Control</i>	If at any time while any of the Securities remains outstanding, a Change of Control Event (as defined in Condition 8) occurs, the rate of remuneration will be increased by 5 per cent. per annum. Subject as set out above upon the occurrence of a Change of Control Event, the Issuer may at its option (with the approval of all the Guarantors) redeem all, but not some only, of the Securities, as further described in Condition 8.
<i>Form and Denomination</i>	The Securities will be in bearer form in the denomination of €50,000 each with Coupons and a Talon attached on issue.
<i>Selling Restrictions</i>	The Securities are subject to selling restrictions in the United States, the United Kingdom, the Republic of Italy, Luxembourg and Mexico, as further described in “Subscription and Sale”.
<i>Listing</i>	No application has been made to list the Securities on any stock exchange.
<i>Governing Law</i>	The Fiscal Agency Agreement, the Securities and the Guarantees will be governed by, and construed in accordance with, English law.
<i>Fiscal Agent and Calculation Agent</i>	Deutsche Bank AG, London Branch.
<i>Security Codes</i>	The ISIN for the Securities is XS0290701993 and the common code for the Securities is 029070199.

Risk Factors

Investing in the Securities involves substantial risks. Please see the section of this Prospectus entitled “Risk Factors” immediately following this summary for a discussion of certain risks that should be considered before investing in the Securities.

RISK FACTORS

An investment in the Securities involves various risks. Before purchasing the Securities, all of the information set out in this Prospectus should be considered carefully and, in particular, the specific factors set out below should be evaluated. The risks and uncertainties that are described below are not the only ones faced by the Issuer, the Parent Guarantor and the other members of M&G International. Additional risks and uncertainties of which the Issuer, the Parent Guarantor and M&G International are not aware or that the Issuer, the Parent Guarantor and M&G International currently believe are immaterial may also adversely affect M&G International's business, financial condition or results of operations. If any of the possible events described below were to occur, M&G International's business, financial condition or results of operations could be materially and adversely affected. If that were to happen, the Issuer and/or the Guarantors may not be able to pay principal or remuneration on the Securities when due, or otherwise fulfil their obligations in respect of the Securities and/or the Guarantees, and investors could lose all or part of their investment.

The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. Prospective investors should consider all of the information provided in this Prospectus and consult with their own professional advisers if they consider it necessary.

Words and expressions defined in "Terms and Conditions of the Securities" shall have the same meanings in this section.

Risk factors in respect of the Securities

The Securities have no stated maturity

The Securities are undated and the Issuer is under no obligation to redeem the Securities at any time. The Holders have no right to call for the redemption of the Securities. For so long as any of the Senior Obligations are outstanding, the Issuer may not exercise its right to redeem the Securities if and for so long as a Senior Obligations Suspension Event has occurred and is continuing. Subject to this restriction, the Securities may be redeemed at the option of the Issuer (with the approval of all of the Guarantors), in whole but not in part, as follows: (i) if the Issuer so elects, at par value together with any Accrued Remuneration, on the First Call Date or on any Remuneration Payment Date thereafter; (ii) at any time following a Change of Control Event, at the redemption price set out in Condition 8.1 together with any Accrued Remuneration; (iii) at any time on or prior to the First Call Date or on any Remuneration Payment Date thereafter, following an Additional Amounts Event, either at par value or at the make-whole price according to whether the relevant Additional Amounts Event occurs as a result of a Tax Law Change or otherwise, together, in each case, with any Accrued Remuneration; (iv) at any time on or prior to the First Call Date, following a Tax Event or an Accounting Event, at the make-whole price together with any Accrued Remuneration; or (v) if the Issuer so elects, following the purchase or cancellation by the Issuer or its affiliates of Securities equal to or in excess of 75 per cent. of the aggregate principal amount of the Securities initially issued at the make-whole price, together with any Accrued Remuneration. Prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

Payments of remuneration under the Securities may be deferred at the election of the Issuer (or any Guarantor on behalf of the Issuer) and must be deferred and no other payments may be made on the Securities if a Senior Obligations Suspension Event has occurred and is continuing

The Issuer (or any Guarantor on behalf of the Issuer) has the option to defer any payment of remuneration on the Securities in the circumstances described in Condition 5 (*Remuneration Payment and Deferral*). Any such Deferred Remuneration will not itself bear any remuneration or interest for the period during which it is outstanding. In addition, for so long as any Senior

Obligations are outstanding, the Issuer's obligation to pay remuneration on the Securities shall be deferred and no other payments may be made on the Securities (including any payments of Deferred Remuneration) in the event that a Senior Obligations Suspension Event has occurred and is continuing on any Remuneration Payment Date. While any such Senior Obligations Suspension Event is continuing, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities, and in such event the Holders are not entitled to claim payment of any Deferred Remuneration or any other payments under the Securities.

The Guarantors may not make payments under the Guarantees if a Senior Obligations Suspension Event has occurred and is continuing

For so long as any Senior Obligations are outstanding, in the event that a Senior Obligations Suspension Event has occurred and is continuing, no payments may be made under the Guarantees by the Guarantors. While any such Senior Obligations Suspension Event is continuing, the Guarantors are not prohibited from making payments on any instrument ranking senior to the Guarantees, and in such event the Holders are not entitled to claim payment of any amounts under the Guarantees.

Claims against the Issuer under the Securities are subordinated

The Securities constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and, in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, the rights of the Holders to payments of the principal amount (interpreted in accordance with Condition 6.7), Accrued Remuneration and any other amounts due in respect of the Securities (i) will be satisfied after (but only after), and subject to the condition that, the claims of holders of all Senior Obligations of the Issuer shall have first been paid in full, and (ii) shall rank *pari passu* with amounts due to holders of any present or future Parity Obligations of the Issuer, in their capacity as such holders; in priority to amounts due to holders of (i) all classes of shares of the Issuer, and (ii) any present or future Junior Obligations of the Issuer, in either case in their capacity as such holders; but junior in right of payment to, and subordinated to the payment of, amounts due to holders of any present or future unsubordinated Obligations of the Issuer, in their capacity as such holders (including claims under any Senior Obligations of the Issuer). In the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, the obligations of the Issuer under the Securities shall be subordinated to the claims of holders of all Senior Obligations of the Issuer so that in any such event no amounts shall be payable in respect of the Securities until the claims in respect of Senior Obligations of the Issuer shall have first been satisfied in full. Holders of the Securities may not initiate any bankruptcy, insolvency or similar proceedings with respect to the Issuer as long as any Senior Obligations are outstanding.

The Securities and the Guarantees will be structurally subordinated to the creditors and preference shareholders (if any) of the Parent Guarantor's non-guarantor subsidiaries.

Not all of the Parent Guarantor's subsidiaries will guarantee the Securities on a subordinated basis. Generally, claims of creditors (both secured and unsecured) of a non-guarantor subsidiary will have priority with respect to the assets and earnings of the non-guarantor subsidiary over the claims of creditors of its parent entity. In the event of a bankruptcy, liquidation or reorganisation or other bankruptcy or insolvency proceeding of any of these non-guarantor subsidiaries (or the equivalent of any of the foregoing under local law), the holders of their debt will generally be entitled to payment of their claims from the assets of those non-guarantor subsidiaries before any assets are made available for distribution to the Parent Guarantor (or other member of M&G International). As a result, the holders of the Securities may receive less, on a pro rata basis, than the creditors of the Parent Guarantor's non-guarantor subsidiaries. The holders of the Securities may also receive less than the creditors of a Guarantor since they are contractually subordinated to those creditors as set out below.

Claims against the Guarantors under the Guarantees are subordinated

The Guarantors have given subordinated irrevocable guarantees for the due payment of principal of, and remuneration on, and any other amounts expressed to be payable under the Securities. The obligations of each Guarantor under its respective Guarantee constitute direct, unsecured and subordinated obligations of the relevant Guarantor. In the event of the voluntary or involuntary liquidation or bankruptcy of any Guarantor, the rights of the Holders to payments due under the relevant Guarantee (i) will be satisfied after (but only after), and subject to the condition that, the claims of holders of all Senior Obligations of such Guarantor shall have first been paid in full, and (ii) shall rank *pari passu* with amounts due to holders of any present or future Parity Obligations of the relevant Guarantor, in their capacity as such holders; in priority to amounts due to holders of (i) all classes of shares of the relevant Guarantor, and (ii) any present or future Junior Obligations of the relevant Guarantor, in either case in their capacity as such holders; but junior in right of payment to, and subordinated to the payment of, amounts due to holders of any present or future unsubordinated Obligations of the relevant Guarantor, in their capacity as such holders (including claims under any Senior Obligations of the relevant Guarantor). In the event of the voluntary or involuntary liquidation or bankruptcy of any Guarantor, the obligations of such Guarantor under the relevant Guarantee shall be subordinated to the claims of holders of all Senior Obligations of such Guarantor so that in any such event no amounts shall be payable in respect of the relevant Guarantee until the claims in respect of all Senior Obligations of such Guarantor shall have first been satisfied in full.

The Issuer and the Guarantors may incur additional indebtedness ranking senior to, or pari passu with, the Securities and/or the Guarantees

With the exception of certain restrictive covenants in agreements in respect of certain indebtedness, as described below, neither the Issuer nor any of the Guarantors has entered into restrictive covenants in connection with the issuance of the Securities and the Guarantees regarding their ability to incur additional indebtedness ranking *pari passu* with, or senior to, the obligations under or in connection with the Securities or the Guarantees, respectively. The Issuer and/or any Guarantor may, therefore, subject to certain limitations arising from the restrictive covenants described below, incur such additional indebtedness. Claims of the Holders for principal and remuneration under the Securities, as well as claims of the Holders under the Guarantees, may rank junior to the claims of the holders of any such indebtedness and any guarantee relating thereto. Incurring any such additional indebtedness may increase the likelihood of a deferral of remuneration payments under the Securities and/or reduce the amount recoverable by Holders in the event of a voluntary or involuntary liquidation or bankruptcy of the Issuer or any Guarantor. Unsubordinated liabilities of the Issuer and any Guarantor may also arise from events that are not reflected on the balance sheet of the Issuer or the relevant Guarantor, as the case may be, including, without limitation, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities may become unsubordinated liabilities of the Issuer or the relevant Guarantor, as the case may be, that in a voluntary or involuntary liquidation or bankruptcy proceeding of the Issuer or the relevant Guarantor, will need to be paid in full before the obligations under the Securities or the relevant Guarantee, respectively, may be satisfied.

The Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit their validity and enforceability

The Guarantees given by the Guarantors provide Holders with a direct claim against the relevant Guarantor in respect of the Issuer's obligations under the Securities. Enforcement of each Guarantee would also be subject to certain generally available defences. Local laws and defences may vary, and may include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, and capital maintenance or similar laws. They may also include regulations or defences which affect the rights of creditors generally.

If a court were to find a Guarantee given by a Guarantor void or unenforceable as a result of such local laws or defences, or to the extent that agreed limitations on Guarantees apply, Holders would cease to have any claim in respect of the Guarantor and would be creditors solely of the Issuer and any remaining Guarantors.

In particular, Luxembourg law makes no specific provision in respect of groups of companies and the giving of intra-group guarantees. Intra-group guarantees may not be enforceable if a court finds that any of the following minimum requirements were not fulfilled: (a) the relevant group of companies should have a real structure and be organised with a common economic, industrial and commercial policy; (b) the guarantor should derive a benefit from giving the guarantee; and (c) the amount guaranteed should not be disproportionate to the guarantor's financial means.

Limitations to remedies of Holders under the Guarantees

In the event that any Guarantor is in breach of its payment obligations under the relevant Guarantee, the terms of such Guarantee restrict rights of Holders to petition in the jurisdiction of the relevant Guarantor for the winding-up of such Guarantor for so long as any Senior Obligations are outstanding.

No express events of default

Holders have no acceleration rights in respect of the Securities.

Market risks for the Securities

The Securities constitute a new issue of securities by the Issuer and there is currently no intention for the Securities to be listed as admitted to trading. Prior to this issue, there will have been no public market for the Securities and there can be no assurance that a liquid secondary market for the Securities will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell his Securities at any time at fair market prices. The possibility to sell the Securities might additionally be restricted by country specific reasons.

Interest Rate Risks

Prior to the First Call Date, the Securities will accrue remuneration at a fixed rate. Investment in fixed rate instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate instruments. Following the First Call Date, the Securities will accrue remuneration at a floating rate. Investments in floating rate instruments are particularly exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the profitability of floating rate instruments in advance.

Fixed to Floating Rate Securities

Remuneration on the Securities is initially paid at a fixed rate; conversion from a fixed rate to a floating rate then takes place automatically. The conversion of the remuneration rate will affect the secondary market and the market value of the Securities since the conversion may lead to a lower overall cost of borrowing. If a fixed rate is converted to a floating rate, the spread on the fixed to floating rate Securities may be less favourable than then prevailing spreads on comparable floating rate Securities tied to the same reference rate.

No voting rights

The Securities do not give the Holders the right to vote at meetings of the shareholders of the Issuer or the Guarantors.

Modification and waivers

The conditions of the Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

Potential conflicts of interest

Potential conflicts of interest may arise between the Calculation Agent and the Holders, including with respect to certain discretionary determinations and judgements that the Calculation Agent may make pursuant to the Terms and Conditions of the Securities that may influence the amount receivable under the Securities.

Legality of purchase

Neither the Issuer, any of the Guarantors, the Manager nor any of their respective Affiliates has or assumes responsibility for the lawfulness of the acquisition of the Securities by a prospective investor of the Securities, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

Market Value of the Securities

The market value of the Securities will be affected by the creditworthiness of the Issuer and the Guarantors and a number of additional factors, including market interest and yield rates. The value of the Securities depends on a number of interrelated factors, including economic, financial and political events in Luxembourg, Italy, the United States, Mexico, Brazil or elsewhere. The price at which a Holder will be able to sell the Securities may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

Global Securities

The Securities will be represented by global Securities except in certain limited circumstances described in the Permanent Global Security. The Securities will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Security, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Securities. While the Securities are represented by global Securities, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Securities.

Holders of beneficial interests in the Securities will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Taxation

Potential purchasers and sellers of the Securities should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Securities are transferred or other jurisdictions. In some jurisdictions, no official

statements of the tax authorities or court decisions may be available for innovative financial securities such as the Securities. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax advisor's advice on their individual taxation with respect to the acquisition, sale and redemption of the Securities. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

Risk Factors in respect of the Issuer

The Issuer is a newly-established funding vehicle for M&G International. As such, the Issuer, *inter alia*, intends to raise funds and on-lend moneys to companies within M&G International by way of intra-group loans. In the event that a group company fails to make a payment under an intra-group loan, the Issuer may not be able to meet its payment obligations under the Securities issued by it. The Securities are guaranteed on a subordinated basis by the Guarantors pursuant to the Guarantees. Accordingly, if any Guarantor's financial condition were to deteriorate, the Issuer and the Holders may suffer direct and materially adverse consequences, including non-payment of remuneration on the Securities or of payments under the relevant Guarantee.

Risk Factors in respect of M&G International

M&G International is leveraged

M&G International has other outstanding debt, with debt service requirements. Upon completion of the offering of the Securities, M&G International will continue to be leveraged. The degree to which the Parent Guarantor will be leveraged following the issuance of the Securities may have important consequences for holders of Securities. Such leverage may require, for example, that a portion of M&G International's cash flow from its operations be dedicated to payments of principal and interest on indebtedness, preventing M&G International from using such cash flow to fund working capital, capital expenditure, acquisitions, or joint ventures, or from using its cash flow for other general corporate purposes. Leverage may affect M&G International's competitive position, limit its ability to borrow additional funds, increase its vulnerability to adverse economic and industry conditions, and reduce its ability to plan for, or react to, changes in its business or the competitive environment in which it operates. Any of these may have a material adverse effect on M&G International's ability to satisfy its debt obligations including the Securities.

The Issuer and the Guarantors may not have enough cash available to service their debt

The Issuer's and the Guarantors' ability to make payments in respect of the Securities, meet their other debt service obligations, and refinance their debt, depends on the future operating and financial performance of M&G International. Such performance will be affected by the ability of M&G International to implement its business strategy successfully, as well as general economic, financial, competitive, regulatory, technical and other factors beyond its control. If in the future M&G International is not able to generate sufficient cash to make payments under the Securities, or meet its other debt service requirements, M&G International may need to refinance all or a portion of its debt, including the Securities, obtain additional financing, delay planned capital expenditure or sell material assets. If M&G International is not able to refinance any of its debt, obtain additional financing or sell assets on commercially reasonable terms (or at all), it may still not be able to satisfy its debt obligations, or make payments under the Securities. In that event, borrowing under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand, and members of M&G International (including the Issuer and the Guarantors) may not have sufficient funds to repay all of their debts, including under the Securities and the Guarantees.

The Parent Guarantor's cash flow depends upon the cash flow of its subsidiaries

The Parent Guarantor is a holding company with no revenue-generating operations of its own. The Parent Guarantor's subsidiaries conduct substantially all of the Parent Guarantor's consolidated operations, and own substantially all of the Parent Guarantor's consolidated assets. Consequently, the Parent Guarantor's cash flow and its ability to meet its debt service obligations, depend upon the cash flow of its subsidiaries, and the payment of funds to it by its subsidiaries, for example in the form of loans or dividends. The Parent Guarantor's subsidiaries are not required to make, and may be restricted from making, funds available to the Parent Guarantor. In addition, the ability of the Parent Guarantor's subsidiaries to make any payments will depend on their earnings, the terms of their own indebtedness, business and tax considerations, and legal restrictions. If the Parent Guarantor's subsidiaries do not make payments to the Parent Guarantor, the Parent Guarantor may not be able to satisfy its debt obligations.

M&G International may be able to incur additional debt in the future

M&G International may need to incur additional debt in the future, for example to complete acquisitions or capital projects, or for working capital. Although the terms of the Senior Obligations and existing indebtedness impose certain limits on M&G International's ability to do so, the Senior Obligations do not prohibit M&G International from doing so. The terms of the Senior Obligations permit M&G International to incur additional debt, subject to certain financial ratios, and certain covenants relating to the creation of debt and security interests relating to such debt. The Securities do not impose any restrictions on the creation by M&G International of additional debt or security interests relating to such debt. M&G International may incur substantial additional debt in the future, which may mature prior to the Securities, and which may be secured by liens on M&G International's assets. If M&G International incurs new debt in addition to its existing indebtedness, the risks relating to leverage as described herein could be more pronounced.

The Parent Guarantor is subject to covenants that may limit M&G International's future financing options

The Parent Guarantor is subject to affirmative and negative covenants contained in agreements in respect of certain indebtedness. These covenants may limit M&G International's ability to finance future operations and capital needs, and its ability to pursue business opportunities and activities that may be in M&G International's interests.

The Senior Obligations require the Parent Guarantor, amongst other things, to maintain the corporate existence of its subsidiaries, and remain principally engaged in certain packaging or chemical manufacturing businesses. They require the Parent Guarantor to procure that certain subsidiaries become guarantors, on a *pari passu* basis, in respect of certain existing and future indebtedness. They further require the Parent Guarantor to maintain certain financial ratios.

The Senior Obligations also restrict the ability of the Parent Guarantor to permit M&G International, amongst other things, to incur or guarantee additional indebtedness, create or incur certain liens, sell, lease, transfer or otherwise dispose of certain assets, merge, consolidate or amalgamate with other entities, engage in certain transactions with affiliates, and make certain restricted payments. All of these restrictions are subject to significant exceptions and/or qualifications.

If the Parent Guarantor breached any of these covenants, or if the Parent Guarantor were unable to comply with the required financial ratios, it may be in default under the Senior Obligations, the Securities and/or other indebtedness. A significant portion of M&G International indebtedness may then become immediately due and payable. M&G International may not have, or be able to obtain, sufficient funds to make any such accelerated payments. If M&G International defaults under any of its indebtedness, holders thereof could cause all of the outstanding debt obligations to become due and payable, requiring M&G International to apply all of its cash to repay the debt thereunder or preventing M&G International from making debt service payments. If any debt under the M&G

International's debt instruments is accelerated, M&G International may not have sufficient assets to repay amounts due thereunder.

Failure to compete successfully may reduce M&G International's operating results

M&G International operates in a highly competitive industry, and actions of M&G International's competitors could reduce M&G International's profitability and market share. M&G International's businesses compete on a variety of factors such as price, product quality, performance or specifications, continuity of supply, customer service and breadth of product line. Major competitors include diversified industrial companies, some of which are larger or have greater financial resources, which may enable them to invest significant amounts of capital and other resources into their businesses. Changes in a competitor's business behaviour may adversely affect M&G International's financial performance. If any of M&G International's current or future competitors develops proprietary technology that enables it to manufacture at significantly lower cost, M&G International's technology could be rendered uneconomical.

Moreover, barriers to entry in the polyethylene terephthalate resin ("PET") manufacturing industry, apart from the substantial capital necessary to install and operate production facilities, are relatively low. The entry of new competitors in the markets in which M&G International operates could adversely impact M&G International's market share, results of operations and prospects.

Failure to upgrade products and production technologies may harm M&G International's competitive position and operating results

M&G International's operating results depend on the suitability of its PET output in manufacturing plastic packaging and its ability to upgrade existing products to meet customers' requirements. M&G International's success also depends on its ability to react to changing customer demands in a reasonably timely manner. The development of other materials with more attractive properties for packaging applications could result in lower demand for M&G International's PET resin. If M&G International fails to keep pace with product development or anticipate customer requirements, its financial condition and results of operations could be adversely affected.

In addition, if M&G International's competitors were to develop PET resins with more attractive properties, or more efficient production technologies, M&G International's products could become less competitive and M&G International's revenues and market share may be adversely affected.

M&G International devotes substantial resources to research and development, but because of the lengthy development process, technological challenges and intense competition, there can be no assurance that any of the products or processes M&G International is currently developing, or may begin to develop in the future, will become market-ready and achieve substantial commercial success.

M&G International faces risks associated with potential acquisitions, investments, strategic partnerships or other ventures

M&G International's growth strategy has included and may continue to include acquiring or entering into strategic partnerships with other chemical manufacturers, suppliers or customers. M&G International may not be able to identify and fully evaluate a suitable acquisition, investment or strategic partnership candidate, which may place M&G International at a disadvantage if its competitors are able to grow their market share either through acquisitions or otherwise. If M&G International does identify suitable candidates, M&G International may not be able to complete those transactions on commercially acceptable terms or at all. Moreover, if M&G International acquires another company, M&G International could have difficulty integrating that company's personnel, products, operations and technology with those of M&G International. In addition, the key personnel of the acquired company may decide not to work for M&G International and its key customers may decide to terminate their agreements/existing relationships with M&G International or reduce the volume of their purchases. Some of M&G International's existing customers may

discontinue their relationships with M&G International. These difficulties could disrupt M&G International's ongoing business, distract its management and employees, impair its growth strategy and adversely affect its business, financial condition and results of operations.

Economic and political developments generally may adversely affect M&G International's sales and earnings

M&G International's PET sales are driven by demand for packaged products (most importantly, plastic bottles for soft drinks and water), which in turn is affected by economic conditions in the various geographic regions where such packaged products are sold. Adverse economic changes in these regions could result in lower demand for packaged products and consequently have an adverse impact on M&G International's PET sales. Similarly, other events beyond M&G International's control, such as political instability or social unrest, could reduce consumer demand in general. Economic downturns and declines in consumer demand caused by these or other factors could result in lower sales and adversely affect M&G International's operating results and profits.

M&G International's global operations face unpredictable changes in international economic conditions, government policies or tax laws. M&G International is subject to fluctuations in currency exchange rates, declines in regional or global trade activity, terrorist attacks or limitations on the conversion of non-euro currencies into euro and cash transfers into and out of these countries, as well as the possible imposition of investment or other restrictions by governments. In addition, its business is subject to changes in the public policies of individual countries or states, including potential impositions or increases in tariffs, taxes and tax rates.

PET resin imports could adversely impact M&G International's margins

Producers of PET resin in Brazil, the European Union, Mexico and the United States benefit from favourable rules and regulations that affect imports of selected products produced from certain countries, including anti-dumping provisions and other tariff barriers. Adverse changes in any of these rules or regulations could affect the demand and selling price for M&G International's products and adversely affect its operating results.

M&G International's operations are dependent on the availability and cost of its raw materials

M&G's operations are substantially dependent on the availability and cost of its two primary raw materials, PTA and MEG, which accounted for over 90 per cent. of M&G International's raw material purchases in 2005 and to a lesser extent on recycled raw materials. M&G International currently relies on several producers for its PTA and MEG supplies, and the effect of the loss of any producer, a disruption in its business or a failure to meet M&G International's product needs on a timely basis would depend primarily upon the length of time necessary to find a suitable alternative source. Temporary shortages in raw materials could have a material adverse effect on M&G International's results of operations. There can be no assurance that M&G International would be able to secure an alternative source of supply at a competitive cost in a timely manner if any of these situations were to occur. Possible shortages of raw materials could substantially harm M&G International's financial condition and results of operations.

Reduced raw material margins could adversely affect M&G International's operating results

The raw material margin, which is the difference between the net selling price and the cost of raw materials, is an important factor in determining M&G International's operating results. Selling prices are influenced by competition and capacity utilisation, which is the demand for product divided by total industry capacity. Demand for M&G International's products is determined principally by growth in end-use markets, substitution of its products for other products, economic conditions, imports, and the competitive cost position of M&G International's products. Supply is determined

by worldwide capacity, which is expanding for PET resin. Any reduction of selling prices, failure to achieve announced selling price increases, or any significant expansion in capacity over demand could reduce M&G International's operating results. Any increase in raw material costs without a corresponding increase in selling price would reduce M&G International's raw material margins and operating results. M&G International's ability to pass on raw material price increases is dependent upon market conditions and its relative cost position compared to competitors. There may be periods of time in which M&G International may not be able to recover increases in the cost of raw materials due to contractual arrangements or to weakness in demand for, or oversupply of, its products.

A material change in demand, supply, general economic conditions or uncertainties regarding future economic prospects could have a material adverse effect on M&G International's operating results.

Cyclicalities may reduce M&G International's operating margins or cause operating losses

The PET market in which M&G International operates is cyclical. Typically, increased demand during peaks in the business cycle in the PET industry leads producers to increase their production capacity. Although peaks in the business cycle have been characterised by increased selling prices and higher operating margins, in the past these capacity increases have led to excess capacities because they have exceeded demand growth. Low periods in the business cycles are then characterised by decreasing prices and excess capacity. These factors can depress operating margins and may result in operating losses. In particular, M&G International expects that, on a global level, PET supply will exceed demand in the short term, as a result of several new production facilities entering into operation in 2006 and 2007. Such excess supply is likely to result in reduced raw material margins for M&G International in the short term.

A loss of M&G International's key customers could harm operating results

M&G International has an extensive customer base and generally enters into medium- or long-term agreements with its customers. However, M&G International may not be able to sell its products to these customers over the long term and the loss of certain key customers, and the inability to replace or regain such customers or the material financial weakness of such customers, could adversely affect M&G International's financial condition and results of operations.

Increases in costs could adversely affect M&G International's operating results

M&G International's inability to maintain its cost structure and efficiently operate its manufacturing facilities may reduce its operating results. In addition, increases in certain non-controllable costs where the expense incurred by M&G International may change based on external factors may reduce M&G International's operating results. Examples of these costs are energy, insurance, tax and pension costs. Energy costs are impacted by changes in petrochemical costs and, as these increase, M&G International's cost of natural gas, electricity, and oil increases and may reduce operating results by increasing M&G International's production costs.

Changes in regulatory controls could reduce the profitability of M&G International's current products and could delay the introduction of new products

M&G International must comply with a broad range of regulatory controls on the testing, manufacturing and marketing of its products. M&G International expects that regulatory controls worldwide, and especially in the European Union, will become increasingly more demanding. The proposed new EU chemicals policy (REACH) could require a significant increase in testing for chemical products. These tests could be very cost intensive and time consuming, and could lead to increased costs for M&G International's PET and other products. The new legislation is expected to come into force in June 2007 in EU member states.

M&G International expects that these increasing regulatory requirements may result in higher costs of compliance. However, since these regulations have only recently been enacted or proposed, M&G International is not in a position to ascertain the expected cost impact with specificity.

Litigation and administrative claims could harm M&G International's operating results and cash flows

M&G International is involved in a number of legal proceedings and may become involved in additional legal proceedings. Each of these proceedings or potential proceedings could involve substantial claims for damages or other payments. If M&G International's opponents in these lawsuits obtain judgments against M&G International or if M&G International is ordered to pay fines by relevant authorities or if M&G International determines to settle any of these lawsuits, M&G International could be required to pay substantial damages, fines and related costs. For further information, see "Mossi & Ghisolfi Group – Company Litigation".

Environmental liabilities and compliance costs may have a significant negative effect on M&G International's operating results

The environmental laws of various jurisdictions impose actual and potential obligations on M&G to remediate contaminated sites. These obligations may relate to sites:

- that M&G International currently owns or operates;
- that M&G International formerly owned or operated;
- where M&G International disposes or disposed waste from M&G International's operations; and
- where property owned by third parties was contaminated by the emission or spill of contaminants for which M&G International bears responsibility.

Many of M&G International's manufacturing facilities have a long operating history. Some of its current and former facilities have been subject to remediation, and M&G International cannot exclude the possibility that contaminations of soil and groundwater caused by past events may trigger additional environmental clean-up obligations. The costs of these environmental remediation obligations could significantly reduce M&G International's operating results.

Furthermore, M&G International may become involved in claims, lawsuits and administrative proceedings relating to health, safety, regulatory and environmental matters, which could lead to the possibility of substantial fines or the revocation of applicable permits. An adverse outcome in any of these might have a significant negative impact on M&G International's operating results and reputation. Stricter health, safety and environmental laws and regulations as well as enforcement policies could result in substantial liabilities and costs to M&G International and could subject M&G International's handling, manufacturing, use, reuse or disposal of substances or pollutants to more rigorous scrutiny than is currently the case. Consequently, compliance with these laws and regulations could result in significant capital expenditures and expenses as well as liabilities, thereby harming M&G International's business and operating results.

Shortages or disruptions of supplies to customers due to unplanned capacity decreases or shutdowns of production plants may reduce sales

Production at M&G International's manufacturing facilities or the supply of raw materials to them could be adversely affected by technical failures, strikes, natural disasters, regulatory rulings and other factors. Unexpected events, such as manufacturing problems, unplanned shutdowns or loss of supplies, could lead to reduced sales. Production capacities at one or more of M&G International's sites or major plants could therefore decline temporarily or on a longer term basis. If the capacity of one or more material facilities is reduced or manufacture of material products is

shut down for a prolonged period and M&G International is unable to shift sufficient production to other plants or draw on inventories, M&G International may suffer declines in sales revenues and be exposed to claims for damages and reputational harm.

Risks from the handling of hazardous materials could negatively impact M&G International's operating results

M&G International's operations are subject to the operating risks associated with chemical manufacturing, including the related risks associated with storage and transportation (by road, train and sea) of raw materials, products and wastes. These risks include, among other things, the following hazards:

- pipeline and storage tank leaks and ruptures;
- fires and explosions;
- malfunction and operational failure; and
- releases, discharges or disposal of toxic and/or hazardous substances resulting from these or other causes.

These operating risks have the potential to cause personal injury, property damage and environmental contamination, and may result in the shutdown of affected facilities and in business interruption and the imposition of civil or criminal penalties, and negatively impact the reputation and financial condition of M&G International.

The availability and costs of M&G International's financing could adversely affect its operating results

Certain events relating to M&G International or the financial markets could reduce M&G International's access to financing and/or increase its financing costs. If current business conditions deteriorate or other events occur that result in a breach of the covenants contained in various of M&G International's financing agreements, M&G International's lenders would have the right to cause all of M&G International's debt to become due and payable. If this occurs, there is no certainty the debt could be refinanced and, if it were refinanced, M&G International may incur increased costs.

M&G International is exposed to foreign currency and interest rate risks

M&G is subject to interest rate risks in the ordinary course of its business. M&G International conducts a significant portion of its operations outside of Europe and is therefore exposed to risks associated with the fluctuations of foreign currencies, in particular Brazilian reais, US dollars and euros. For the 12 months ended on 31 December 2005, M&G International derived approximately 55 per cent., 20 per cent. and 25 per cent. of its net revenues from sales in U.S. dollars, Brazilian reais and euros, respectively. These currencies have experienced considerable volatility against the euro in recent years. To prepare its consolidated financial statements, M&G International translates its assets, liabilities, revenues and expenses into euros. Consequently, increases and decreases in the value of the euro against these other currencies will affect the amount of these items in its consolidated financial statements, even if their value has not changed in their original currency. In addition, to the extent M&G International incurs expenses that are not denominated in the same currency as related revenues, exchange rate fluctuations could cause its expenses to increase as a percentage of revenues, affecting its profitability.

M&G International hedges against financial risks through derivative instruments such as forward exchange contracts, currency options, interest rate and currency swaps and combined instruments. There can be no assurance, however, that M&G International's hedging strategy will be effective and that foreign currency and interest rate fluctuations will not adversely affect M&G International's results of operations.

M&G's success depends on its key management and other personnel

M&G International's success depends in part on the continued services of key members of its management. If M&G International were to lose their services, M&G International may be unable to find and integrate replacement personnel in a timely manner and such loss could significantly impair its ability to develop and implement its business strategies. In addition, M&G International may not be able to hire and retain sufficient numbers of qualified professional personnel necessary to succeed, as such personnel are limited in number and are in high demand. The success of M&G International's business will depend on its ability to identify, attract, hire, train, retain and motivate skilled personnel. There can be no assurance that M&G International will be able to successfully attract, assimilate or retain sufficiently qualified personnel. If M&G International fails to hire and retain sufficient numbers of qualified personnel for functions such as research and development, finance, marketing and sales and operations, M&G International's business and prospects could be adversely affected.

M&G is subject to the risks associated with the use of information technology

M&G International's operations materially depend on a complex, worldwide IT infrastructure with integrated processes. M&G International is dependent upon technology for the distribution of information within M&G International and to customers and suppliers. This information technology is subject to risks associated with defects, errors, failures and computer viruses. There can be no assurance that M&G International's information technology systems will not fail and cause material disruptions to M&G International's business.

M&G International outsources a large portion of its IT-related functions to third-party service providers. A failure by such third parties to provide adequate service, or M&G International's inability to replace the loss of such providers on commercially favourable terms, could disrupt M&G International's operations and negatively impact its business and prospects.

Existing insurance cover may prove inadequate

M&G International seeks to cover foreseeable and insurable risks through insurance cover. Such insurance cover, however, may not fully cover the risks to which M&G International is exposed. This can be the case with respect to insurance covering legal and administrative claims, as discussed above, as well as with respect to insurance covering other risks, such as business interruption. For certain risks, such as war and war-like events, acts of terrorism and certain natural hazards adequate insurance cover may not be available on the market or may not be available at reasonable conditions. In addition, M&G International does not currently have insurance cover for theft or machinery break-down. Consequently, any harm resulting from the materialisation of these risks could result in significant capital expenditures and expenses as well as liabilities, thereby harming M&G International's business and operating results. Furthermore, for risks currently covered, adequate insurance cover may not be available in the future at all, may not be available on reasonable terms or may only be available at significantly higher premiums.

Risks related to unaudited financial information

The unaudited consolidated interim financial information for the six-month periods ended 30 June 2006 and 30 June 2005 as well as for the nine-month periods ended 30 September 2006 and 30 September 2005 set out in the section entitled "Selected Unaudited Financial Information" has been prepared by management on a basis substantially consistent with that of the relevant audited consolidated financial statements prepared in accordance with accounting principles generally accepted in Luxembourg. Management discloses that certain valuation procedures, and in particular more complex procedures such as, but not limited to, the determination of possible impairment losses on fixed assets, and the actuarial calculation of pension plans, are generally completed only at the time of preparation of the annual consolidated financial statements, when all the necessary information is available. However, there can be no assurance that the unaudited

financial information for the six months ended 30 June 2006 and for the nine months ended 30 September 2006 have been prepared on a basis consistent with the unaudited interim financial information for the six months ended 30 June 2005 and for the nine months ended 30 September 2005, respectively. The consolidated interim financial information has not been audited by the external auditors of the Parent Guarantor and is presented for information purposes only. Please see “Selected Unaudited Financial Information” for further information.

M&G International may not be able to protect the intellectual property critical for the development of its business

In developing new product lines or upgrading existing lines, M&G International relies on proprietary rights and information. There can be no assurance that any patents or trademarks M&G International is able to obtain will adequately protect the covered products and technologies. Nor can there be any assurance that the confidentiality agreements and other measures taken by M&G International will adequately protect its trade secrets, know-how or other proprietary information not covered by patents, or that others will not obtain this information through independent development, indiscretion of employees, industrial espionage or other means. Such use by M&G International's competitors could adversely affect M&G International's business and financial condition. In the future, competitors may obtain patents for technologies which M&G International does not possess or its proprietary rights and information may become obsolete. Furthermore, there can be no assurance that M&G International's activities will not infringe on the proprietary rights of others or that it will be able to obtain licences, on reasonable terms or otherwise, to the required technology. If M&G International fails to obtain the necessary intellectual property rights to protect its proprietary information, or if it encounters difficulties in enforcing intellectual property rights in certain foreign countries, or if it infringes upon the proprietary rights of others, its business, financial condition and results of operations could adversely affect its business and financial condition.

Disruptions of M&G International's operations due to work stoppages or strikes could adversely affect its business

Although M&G International believes that it has satisfactory relations with its workers' councils and unions, there cannot be any assurance that it will be able to reach new agreements with satisfactory terms when existing collective bargaining agreements expire, or that such agreements will be reached without work stoppages, strikes or similar industrial actions. If labour unrest were to obstruct M&G International's manufacturing operations for an extended period of time, its business, financial condition and results of operations could be materially adversely affected.

M&G International faces risks associated with its pension and retirement obligations

M&G International offers various types of retirement benefits to many of its employees worldwide including funded defined benefit pension plans, defined contribution pension plans and post-retirement healthcare plans. The precise nature of these obligations varies among the plans offered and the countries in which M&G International operates. Details of defined benefit obligations and plan assets as at 31 December 2005 are contained in the audited consolidated accounts of the Parent Guarantor set forth herein. The obligations are valued using certain actuarial assumptions including discount rates, mortality rates, inflation and medical cost trends, and average employee turnover. Actual results may vary from these assumptions and such a variation could affect M&G International's retirements benefit obligations and cash flow in future years.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Conditions of the Securities which (subject to modification) will be endorsed on each Security in definitive form (if any are issued in accordance with the terms of the Permanent Global Security):

The €200,000,000 Undated Subordinated Fixed/Floating Rate Cumulative Securities (the “Securities” which expression shall, in these terms and conditions of the Securities (the “Conditions”), unless the context otherwise requires, include any further securities issued pursuant to Condition 17 and forming a single series with the Securities) of M&G Finance Luxembourg S.A. (the “Issuer”) are issued subject to and with the benefit of a fiscal agency agreement dated 9 March 2007 (such agreement as amended or supplemented from time to time, the “Agency Agreement”) made between the Issuer, Mossi & Ghisolfi International S.A. (the “Parent Guarantor”), M&G México Holding, S.A. de C.V., M&G Polimeri Italia S.p.A. and M&G Polymers USA, LLC (each a “Subsidiary Guarantor” and, together with the Parent Guarantor, the “Guarantors”) and Deutsche Bank AG, London Branch as fiscal agent, principal paying agent and calculation agent (the “Fiscal Agent” or, in its capacity as calculation agent, the “Calculation Agent”, which expressions shall include any successor agent in the relevant capacity). The holders of the Securities (the “Holders”) and the holders of the remuneration coupons (the “Coupons”) and the talons (the “Talons”) for further remuneration coupons appertaining to the Securities (the “Couponholders”, which expression shall, unless the context otherwise requires, include the holders of the Talons) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.

Certain statements in these Conditions are summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Holders and the Couponholders at the specified office of the Fiscal Agent.

The payment of the principal amount of, and remuneration in respect of, the Securities (i) has been irrevocably guaranteed on a subordinated basis by (a) the Parent Guarantor under a guarantee executed by the Parent Guarantor on 9 March 2007 (the “Parent Guarantee”), and (b) each of the Subsidiary Guarantors under guarantees executed by each such Subsidiary Guarantor on 9 March 2007 (each such guarantee a “Subsidiary Guarantee” and, together with the Parent Guarantee, a “Guarantee”), and (ii) may, in certain circumstances, be irrevocably guaranteed on a subordinated basis by certain other Subsidiaries of the Parent Guarantor under guarantees to be executed by such Subsidiaries, whereupon such Subsidiaries shall become Subsidiary Guarantors and their respective guarantees shall be Subsidiary Guarantees, all as described in Condition 3.

1. FORM, DENOMINATION AND TITLE

1.1 FORM AND DENOMINATION

The Securities are in bearer form, serially numbered, in the denomination of €50,000 each with Coupons and one Talon attached on issue.

1.2 TITLE

Title to the Securities and the Coupons will pass by delivery.

1.3 HOLDER ABSOLUTE OWNER

The Issuer and the Fiscal Agent may (to the fullest extent permitted by applicable laws and unless otherwise ordered by a court of competent jurisdiction) deem and treat the bearer of any Security or Coupon as the absolute owner for all purposes (whether or not the Security or Coupon is overdue and notwithstanding any notice of ownership or writing on the Security or Coupon or notice of previous loss or theft of the Security or Coupon or of any trust or

interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer and shall not be liable for so treating such bearer.

2. STATUS AND SUBORDINATION

The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, the rights of the Holders to payments of the principal amount (interpreted in accordance with Condition 6.7), Accrued Remuneration and any other amounts due in respect of the Securities (i) will be satisfied after (but only after), and subject to the condition that, the claims of holders of all Senior Obligations of the Issuer shall have first been paid in full or discharged, and (ii) will rank:

- (a) *pari passu* with amounts due to holders of any present or future Parity Obligations of the Issuer, in their capacity as such holders;
- (b) in priority to amounts due to holders of (i) all classes of shares of the Issuer, and (ii) any present or future Junior Obligations of the Issuer, in either case in their capacity as such holders; but
- (c) junior in right of payment to, and subordinated to the payment of, amounts due to holders of any present or future unsubordinated Obligations of the Issuer, in their capacity as such holders (including claims under any Senior Obligations of the Issuer).

No security is, or shall at any time be, provided by the Issuer, any Guarantor or any other person securing the rights of the Holders or Couponholders under the Securities or the Guarantees.

The Issuer may not set-off (including by way of legal set-off) any matured payment obligation owing to it by any Holder or Couponholder against any amount payable by it to such Holder or Couponholder in connection with the Securities or the Coupons. No Holder or Couponholder may set-off any matured payment obligation owing to it by the Issuer in connection with the Securities or the Coupons against any amount payable by it to the Issuer.

3. GUARANTEES

3.1 PARENT GUARANTEE AND SUBSIDIARY GUARANTEES

The payment of the principal of, and remuneration in respect of, the Securities has been irrevocably guaranteed on a subordinated basis by (i) the Parent Guarantor under the Parent Guarantee, (ii) each initial Subsidiary Guarantor under its respective Subsidiary Guarantee.

3.2 ADDITIONAL SUBSIDIARY GUARANTORS

The Parent Guarantor will cause each Subsidiary (other than the Issuer, M&G Finance Corporation (being the issuer of the Existing Notes or any successor entity thereto) or a then existing Subsidiary Guarantor so long as its Subsidiary Guarantee is in effect at the relevant time) that becomes a borrower or a guarantor under or in respect of (a) the Existing Notes, (b) the Interbanca Obligations, or (c) any Credit Facility (together, "Relevant Senior Debt") to become a Subsidiary Guarantor pursuant to these Conditions, prior to or concurrently with so becoming a borrower or a guarantor under or in respect of such Relevant Senior Debt, by delivering to the Fiscal Agent (i) a Subsidiary Guarantee duly authorized and executed by that Subsidiary and constituting valid, binding and enforceable obligations in accordance with the terms of such Subsidiary Guarantee, (ii) an Officer's Certificate certifying (x) the matters set out in sub-paragraph (iii) (b) below and (y) that the execution and delivery of such Subsidiary Guarantee by the relevant Subsidiary would not cause any borrowing limit binding on it or any of its Affiliates to be exceeded, and (iii) for so long as any Senior Obligations are outstanding which contain provisions similar to this Condition 3.2 and require (a) the relevant Subsidiary to give a guarantee to, or for the benefit of, the holders of such

Senior Obligations, and (b) that an opinion of reputable counsel in the jurisdiction of organization of that Subsidiary be given to the holders of such Senior Obligations to the effect that the guarantee to be given to them by such Subsidiary has been duly authorized, executed and delivered by such Subsidiary and is valid, binding and enforceable in accordance with its terms, an opinion of the same counsel in respect of the same matters (and subject to the same customary assumptions and qualifications) but relating to the Subsidiary Guarantee.

The Subsidiary Guarantee and the Officer's Certificate referred to in sub-paragraphs (i) and (ii) above shall be substantially in the form set out in Schedules 5 and 6 respectively to the Agency Agreement, with such changes as (a) may be required by law to give effect to the purposes of such documents, or (b) may be agreed between the Issuer, the relevant Subsidiary and the Fiscal Agent.

Any Subsidiary Guarantor which has ceased to be a Subsidiary shall, at the request of the Parent Guarantor to the Fiscal Agent, be automatically discharged, to the fullest extent permitted by law, from all of its obligations and liabilities under its Subsidiary Guarantee, provided that (i) no Senior Obligations Suspension Event shall have occurred and be continuing, (ii) no amount is then due and payable under the Subsidiary Guarantee of such Subsidiary Guarantor, (iii) such Subsidiary Guarantor is not at the time (a) a borrower or guarantor under or in respect of any Relevant Senior Debt or (b) a guarantor under or in respect of any other indebtedness of the Parent Guarantor or another Subsidiary Guarantor for which (in the case of a guarantor) the guarantee by such Subsidiary Guarantor is not also concurrently being discharged or released, and (iv) such request shall be accompanied by a certificate of a Senior Financial Officer of the Parent Guarantor to the foregoing effect delivered to the Fiscal Agent and setting forth the information required to establish compliance with the foregoing requirements.

If the Securities were ever to be listed or admitted to trading, and the rules of the relevant stock exchange or other relevant authority on which the Securities are for the time being listed or by which they are admitted to trading so provide, such stock exchange or relevant authority will be informed of any such discharge.

3.3 STATUS OF THE PARENT GUARANTEE AND THE SUBSIDIARY GUARANTEES

The payment obligations of each Guarantor under its respective Guarantee constitute direct, unsecured and subordinated obligations of the relevant Guarantor. In the event of the voluntary or involuntary liquidation or bankruptcy of any Guarantor, the rights of the Holders to payments due under the relevant Guarantee (i) will be satisfied after (but only after), and subject to the condition that, the claims of holders of all Senior Obligations of such Guarantor shall have first been paid in full or discharged, and (ii) will rank:

- (a) *pari passu* with amounts due to holders of any present or future Parity Obligations of the relevant Guarantor, in their capacity as such holders;
- (b) in priority to amounts due to holders of (i) all classes of shares of the relevant Guarantor, and (ii) any present or future Junior Obligations of the relevant Guarantor, in either case in their capacity as such holders; but
- (c) junior in right of payment to, and subordinated to the payment of, amounts due to holders of any present or future unsubordinated Obligations of the relevant Guarantor, in their capacity as such holders (including claims under any Senior Obligations of the relevant Guarantor).

No Guarantor may set-off (including by way of legal set-off in jurisdictions where the concept is legally relevant) any matured payment obligation owing to it by any Holder or Couponholder against any amount payable by it to such Holder or Couponholder in

connection with its Guarantee. No Holder or Couponholder may set-off any matured payment obligation owing to it by any Guarantor in connection with its Guarantee against any amount payable by it to such Guarantor.

4. REMUNERATION

4.1 REMUNERATION PAYMENT DATES

4.1.1 Fixed Remuneration Payments Period

The Securities bear remuneration on their principal amount (i) from (and including) 9 March 2007 (the “Remuneration Commencement Date”) to (but excluding) 9 March 2012 (the “First Call Date”) (such period being the “Fixed Remuneration Payments Period”), at a fixed rate of 7.50 per cent. per annum (the “Fixed Rate of Remuneration”) payable annually in arrear on 9 March in each year and commencing on 9 March 2008 (each a “Fixed Remuneration Payment Date”).

The period from (and including) the Remuneration Commencement Date to (but excluding) the first Fixed Remuneration Payment Date and each successive period from (and including) a Fixed Remuneration Payment Date to (but excluding) the next Fixed Remuneration Payment Date is called a “Fixed Remuneration Period”.

If any remuneration is required to be calculated during the Fixed Remuneration Payments Period for a period of less than a Fixed Remuneration Period, it shall be calculated on the basis of the actual number of days elapsed in the relevant period from, and including, the last Fixed Remuneration Payment Date or, as the case may be, the Remuneration Commencement Date to, but excluding the date on which it falls due, divided by the actual number of days (365 or 366) in the relevant Fixed Remuneration Period.

4.1.2 Floating Remuneration Payments Period

Following the expiry of the Fixed Remuneration Payments Period (such subsequent period being the “Floating Remuneration Payments Period”), the Securities will bear remuneration on their principal amount at a floating rate of remuneration (the “Floating Rate of Remuneration”) which, subject only to Condition 8.2, shall be equal to the sum of (i) the Reference Rate (as defined in Condition 4.3), (ii) a margin equal to 3.75 per cent. and (iii) the Step-up Margin (also as defined in Condition 4.3), payable quarterly in arrear on or about 9 June, 9 September, 9 December and 9 March in each year commencing on or about 9 June 2012, subject in each case to adjustment as provided below (each a “Floating Remuneration Payment Date” and together with each Fixed Remuneration Payment Date, a “Remuneration Payment Date”).

The period from (and including) the First Call Date to (but excluding) the first Floating Remuneration Payment Date and each successive period from (and including) a Floating Remuneration Payment Date to (but excluding) the next Floating Remuneration Payment Date is called a “Floating Remuneration Period” and together with each Fixed Remuneration Period, a “Remuneration Period”.

If any Floating Remuneration Payment Date would otherwise fall on a day which is not a Business Day (as defined in Condition 4.3 (iv)) it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day.

The payment of remuneration by the Issuer on any particular Remuneration Payment Date is, at all times, subject to the provisions of Condition 5.

4.2 REMUNERATION ACCRUAL

Each Security will cease to bear remuneration from (and including) its due date for redemption (if any) unless, upon due presentation, payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of the payment, in which event remuneration shall continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Security have been paid; and
- (ii) seven days after the date on which the full amount payable in respect of such Security has been received by the Fiscal Agent and notice to that effect has been given to the Holders in accordance with Condition 15.

4.3 REFERENCE RATE DETERMINATION

The Floating Rate of Remuneration for each Floating Remuneration Period shall be calculated on the basis of a Reference Rate (as defined below) calculated in accordance with the following provisions:

- (i) On the second Business Day before the commencement of the Floating Remuneration Period for which the rate will apply (each a “Remuneration Determination Date”), the Calculation Agent will determine the Reference Rate as at or about 11.00 a.m. (Brussels time) on the Remuneration Determination Date in question. If the Reference Rate is unavailable, the Calculation Agent will request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation to prime banks in the Euro-zone interbank market for Euro deposits in a Representative Amount for a period of three months commencing on the first day of the relevant Floating Remuneration Period, as at or about 11.00 a.m. (Brussels time) on the Remuneration Determination Date in question. The Reference Rate shall be equal to the arithmetic average (rounded upwards if necessary to the nearest fifth decimal place with 0.000005 being rounded upwards) of the offered quotations of the Reference Banks, as determined by the Calculation Agent.
- (ii) If on any Remuneration Determination Date the Reference Rate is unavailable and not less than two of the Reference Banks provide offered quotations, the Reference Rate for the relevant Floating Remuneration Period shall be determined in accordance with the provisions of paragraph (i) on the basis of the offered quotations of those Reference Banks providing the offered quotations.
- (iii) If on any Remuneration Determination Date the Reference Rate is unavailable and less than two Reference Banks provide offered quotations, the Reference Rate for the relevant Floating Remuneration Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded upwards if necessary to the nearest fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks in the Euro-zone (selected by the Calculation Agent and being at least two in number) at or about 11.00 a.m. (Brussels time) on the Remuneration Determination Date in question for loans in Euro to leading European banks in a Representative Amount for a period of three months commencing on the first day of the relevant Floating Remuneration Period, except that if the banks so selected by the Calculation Agent are not quoting on such Remuneration Determination Date, the Reference Rate for the relevant Floating Remuneration Period shall be the Reference Rate in effect for the last preceding Floating Remuneration Period to which one of paragraphs (i), (ii) or (iii) of this Condition 4.3 shall have applied.

(iv) For the purposes of these Conditions:

“Business Day” means any day (other than a Saturday or a Sunday) which is a TARGET Settlement Day;

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union;

“Reference Banks” means the principal Euro-zone office of four major banks in the Euro-zone interbank market selected by the Calculation Agent;

“Reference Rate” means the rate, expressed as a rate per annum, for three month deposits in Euro, which appears at or about 11.00 a.m. (Brussels time) on the display designated as page “EURIBOR01” on Reuters (or such other page or service as may replace it for the purpose of displaying this information);

“Representative Amount” means €1,000,000 or such other amount that, in the reasonable opinion of the Calculation Agent, is representative for a single transaction in the relevant market at the relevant time;

“Step-up Margin” means 1.875 per cent.;

“TARGET Settlement Day” means any day on which the TARGET System is operating; and

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer System.

4.4 DETERMINATION OF FLOATING RATE OF REMUNERATION AND FLOATING REMUNERATION AMOUNT

The Calculation Agent shall, as soon as practicable after 11.00 a.m. (Brussels time) on each Remuneration Determination Date determine the Floating Rate of Remuneration and the amount of remuneration (each a “Floating Remuneration Amount”) payable (if any) on the relevant Floating Remuneration Date on each Security for the relevant Floating Remuneration Period.

The Floating Remuneration Amount shall be determined by applying the Floating Rate of Remuneration to the principal amount of such Security, multiplying the sum by the actual number of days in the Floating Remuneration Period concerned divided by 360 and rounding the resultant figure to the nearest euro cent (half a euro cent being rounded upwards).

4.5 PUBLICATION OF FLOATING RATE OF REMUNERATION AND FLOATING REMUNERATION AMOUNT

The Calculation Agent shall cause the Floating Rate of Remuneration and the Floating Remuneration Amount for each Floating Remuneration Period and the relevant Remuneration Payment Date to be (i) notified to the Issuer and, if the Securities were ever to be listed or admitted to trading and the rules of the relevant stock exchange or other relevant authority on which the Securities were to be for the time being listed or by which they are admitted to trading so provide, such stock exchange or relevant authority, and (ii) published in accordance with Condition 15 as soon as possible after their determination, and in no event later than the second Business Day thereafter. The Floating Remuneration Amount and Remuneration Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Remuneration Period. If the Securities become due and payable other than on a Floating Remuneration Payment Date, the Floating Rate of

Remuneration and the Floating Remuneration Amount shall nevertheless continue to be calculated as previously by the Calculation Agent in accordance with this Condition 4 but no publication of the Floating Rate of Remuneration and the Floating Remuneration Amount so calculated need be made.

4.6 NOTIFICATIONS, ETC. TO BE FINAL

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them) or the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantors, the Fiscal Agent (if relevant), and all Holders and Couponholders. In the absence of wilful default, bad faith or manifest error, no liability to the Issuer, the Guarantors, the Holders or the Couponholders shall attach to (i) the Reference Banks (or any of them) or (ii) the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

5. REMUNERATION PAYMENT AND DEFERRAL

Holders and Couponholders should note that the Issuer's obligation to pay remuneration on the Securities on any Remuneration Payment Date (i) shall, for so long as any of the Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to "Qualifying Subordinated Indebtedness", be deferred if a Senior Obligations Suspension Event (as defined in Condition 21) has occurred and is continuing and (ii) may be deferred by the Issuer at its option either pursuant to Condition 5.1 or by the Issuer avoiding to take any action which would result in a Trigger Event (as defined in Condition 5.1).

5.1 OPTIONAL REMUNERATION DEFERRAL

On any Remuneration Payment Date which is neither a Trigger Event Remuneration Payment Date nor a Suspended Remuneration Payment Date (each an "Optional Remuneration Payment Date"), the Issuer (or any Guarantor on behalf of the Issuer) may elect to defer any remuneration payment which would otherwise be due and payable by it on such Optional Remuneration Payment Date (in whole but not in part), provided that (i) such election has been made by its board of directors, (ii) notice of such election is given to the Holders as provided in Condition 5.6.1 below, and (iii) the Fiscal Agent has received the certificate referred to in Condition 5.6.2 below to the effect that none of the conditions referred to in Condition 5.6.2 have been satisfied.

For the purposes of this Condition 5:

"Suspended Remuneration Payment Date" has the meaning set out in Condition 5.2 below;

"Trigger Event Remuneration Payment Date" means any Remuneration Payment Date in respect of which during the 12-month period preceding such Remuneration Payment Date one or more Trigger Events has occurred; and

"Trigger Event" means each of the events set out in sub-paragraphs (d) to (g) (inclusive) of the definition of Deferred Remuneration Payment Trigger Date set out in Condition 5.4.

5.2 REMUNERATION DEFERRAL IN THE CASE OF A SENIOR OBLIGATIONS SUSPENSION EVENT

For so long as any of the Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to "Qualifying Subordinated Indebtedness", if a

Senior Obligations Suspension Event has occurred on or before, and is continuing on, such Remuneration Payment Date (such Remuneration Payment Date being a “Suspended Remuneration Payment Date”), the Issuer shall defer any remuneration which would otherwise be due and payable by it on such Remuneration Payment Date (in whole but not in part). Notice of any such deferral shall be given to the Holders as provided below.

5.3 DEFERRED REMUNERATION

Any remuneration in respect of any Security not paid on any Optional Remuneration Payment Date or any Suspended Remuneration Payment Date in accordance with the provisions of Condition 5.1 or 5.2, respectively, shall constitute “Deferred Remuneration”. For the avoidance of doubt, the deferral of any remuneration on any such date in accordance with this Condition 5 shall not constitute a default by the Issuer under the Securities or for any other purpose. Deferred Remuneration will not itself bear any remuneration or interest for any period during which it is outstanding.

5.4 PAYMENT OF DEFERRED REMUNERATION

Provided that no Senior Obligations Suspension Event has occurred and is continuing on the relevant date, the Issuer may elect to pay any outstanding Deferred Remuneration, in whole or (subject as provided below) in part, at any time. The Issuer may only elect to pay any outstanding Deferred Remuneration in part (i) if the part it has elected to pay is an amount equal to the whole of the Deferred Remuneration attributable to one or more particular Remuneration Periods, and (ii) so that Deferred Remuneration attributable to any Remuneration Period shall not be paid prior to Deferred Remuneration attributable to an earlier Remuneration Period.

The Issuer shall be obliged to pay outstanding Deferred Remuneration (in whole but not in part) on (i) the first to occur of any of the dates set out in sub-paragraphs (a), (b) or (c) below, or (ii) the third Business Day following the first to occur of any of the dates set out in sub-paragraphs (d) to (g) (inclusive) below (each date set out in sub-paragraphs (a) to (g) below, a “Deferred Remuneration Payment Trigger Date” and each date referred to in sub-clause (i) or (ii) above, a “Deferred Remuneration Payment Date”), provided in each case that a Senior Obligations Suspension Event has not occurred on or before, and is not continuing on, such Deferred Remuneration Payment Date:

- (a) the due date for redemption of the Securities (if any);
- (b) the date on which a court order is made for the judicial winding-up, liquidation or dissolution or for the bankruptcy (*faillite*, in the case of the Issuer or the Parent Guarantor) of the Issuer or any Guarantor;
- (c) any Optional Remuneration Payment Date in respect of which the Issuer has not elected to defer the remuneration due on such date; or
- (d) any date on which (i) any Guarantor has declared or paid any final or interim dividend of any nature (whether in cash, shares or any other form), or declared or made a distribution or other payment of any nature on, or in respect of, any class of its share capital to any person other than the Parent Guarantor or any of its Subsidiaries, or (ii) the Fiscal Agent receives either (x) a certificate from the Parent Guarantor’s auditors or (y) an Officer’s Certificate of the Parent Guarantor, in either case, to the effect that the condition in sub-clause (i) above is satisfied;
- (e) any date on which (i) any Guarantor or (where any such payment has been, directly or indirectly, caused or permitted by such Guarantor) any of its Subsidiaries has made a payment of any nature on, or in respect of, any Parity Obligations or any Junior Obligations issued or incurred by such Guarantor or, as the case may be, such

Subsidiary (but excluding any payment on such Parity Obligations or Junior Obligations made only to the Parent Guarantor or any of its Subsidiaries), provided that, following the date on which M&G Finanziaria S.r.l. or the Parent Guarantor prepares its consolidated financial statements pursuant to IFRS, the references to Parity Obligations and Junior Obligations above shall be construed as applying only to Parity Obligations or Junior Obligations which, in each case, are recorded as “equity” pursuant to IFRS, or (ii) the Fiscal Agent receives either (x) a certificate from the Parent Guarantor’s auditors or (y) an Officer’s Certificate of the Parent Guarantor, in either case, to the effect that the condition in sub-clause (i) above is satisfied;

- (f) any date on which (i) any Guarantor or (where any such action has been, directly or indirectly, caused or permitted by such Guarantor) any of its Subsidiaries has, by any means, redeemed, repurchased or otherwise acquired any of the Securities, any Parity Obligations or any Junior Obligations issued or incurred by such Guarantor or, as the case may be, such Subsidiary, or any shares of any class of its share capital (but excluding any such Parity Obligations or Junior Obligations or shares held at the time of such redemption, purchase or acquisition only by the Parent Guarantor or any of its Subsidiaries), or (ii) the Fiscal Agent receives either (x) a certificate from the Parent Guarantor’s auditors or (y) an Officer’s Certificate of the Parent Guarantor, in either case, to the effect that the condition in sub-clause (i) above is satisfied; or
- (g) the date on which (i) the Parent Guarantor’s annual audited consolidated financial statements for its most recently completed financial year are issued or published showing Gross Capex being equal to, or greater than, Depreciation (each as defined below), or (ii) the Fiscal Agent receives a certificate from the Parent Guarantor’s auditors to the effect that the condition in sub-clause (i) above is satisfied.

As used in Condition 5.4 (g), the term “Gross Capex” means the line item “*Investments in Fixed Assets*” under the heading “*Cash Flow from Investing Activities*” but excluding any capital expenditure in respect of the engineering, construction, licensing and commissioning of the polyethylene terephthalate plant with a capacity of approximately 450,000 MT per annum located at Suape, Pernambuco, Brazil, and the term “Depreciation” means the arithmetic mean of the item “*Depreciation, Amortization & Provision*” for the relevant financial year and the immediately preceding financial year, in each case as such line items appear in the annual audited consolidated cash flow statement of the Parent Guarantor. References in this definition to line items may be construed as references to such other equivalent line items as may be applicable from time to time to the Parent Guarantor under then applicable GAAP but always with a view to preserving at all times the commercial effect of the Trigger Event set out in Condition 5.4 (g) (having regard to the matters reflected in the relevant line items as of the Remuneration Commencement Date).

5.5 RESTRICTED PAYMENTS AFTER A SENIOR OBLIGATIONS SUSPENSION EVENT

In the event that (i) any remuneration due on a Trigger Event Remuneration Payment Date is not paid because such Trigger Event Remuneration Payment Date is a Suspended Remuneration Payment Date, or (ii) any Deferred Remuneration which would otherwise be due on a Deferred Remuneration Payment Date is not paid because a Senior Obligations Suspension Event has occurred on or before, and is continuing on, such Deferred Remuneration Payment Date, the Parent Guarantor has in the Parent Guarantee undertaken that it will not, and will not permit any Subsidiary Guarantor to, make or declare, directly or indirectly, any Restricted Payment (other than a Restricted Payment by a Subsidiary Guarantor to the Parent Guarantor or another Subsidiary) until the Issuer has paid outstanding Deferred Remuneration in whole.

As used herein the term “Restricted Payment” means, as to any person, (x) the declaration or payment of any final or interim dividend of any nature (whether in cash, shares or any other form), or the declaration or making of any distribution or other payment of any nature

on, or in respect of, any class of its share capital, or (y) the making of a payment of any nature on, or in respect of, any Parity Obligations or any Junior Obligations, provided that, following the date on which M&G Finanziaria S.r.l. or the Parent Guarantor prepares its consolidated financial statements pursuant to IFRS, the references to Parity Obligations and Junior Obligations above shall be construed as applying only to Parity Obligations or Junior Obligations which, in each case, are recorded as “equity” pursuant to IFRS.

5.6 NOTIFICATIONS AND CERTIFICATES

5.6.1 Notices of Deferral of Remuneration and of Deferred Remuneration payments

The Issuer shall:

- (a) if (i) it defers any payment of remuneration which would otherwise be due on an Optional Remuneration Payment Date or a Suspended Remuneration Payment Date, or (ii) it becomes obliged to pay Deferred Remuneration on any Deferred Remuneration Payment Date by reason of the occurrence of the Deferred Remuneration Payment Trigger Date set out in Condition 5.4 (c) above, as soon as practicable prior to the relevant Optional Remuneration Payment Date or, as the case may be, the relevant Deferred Remuneration Payment Date; and
- (b) in respect of any payment of Deferred Remuneration falling due on any Deferred Remuneration Payment Date by reason of the occurrence of a Deferred Remuneration Payment Trigger Date other than the one set out in Condition 5.4 (c) above, promptly after the earlier of (i) the occurrence of such Deferred Remuneration Payment Trigger Date, or (ii) its becoming aware of the fact that such a Deferred Remuneration Payment Trigger Date shall occur,

in the case of (a), give notice of such deferral (which shall be irrevocable) or, as the case may be, of such obligation to pay Deferred Remuneration (which, save where a Senior Obligations Suspension Event has occurred and is continuing on the relevant Deferred Remuneration Payment Date, shall be irrevocable), or, in the case of (b), give notice of such Deferred Remuneration Payment Trigger Date (which, save where a Senior Obligations Suspension Event has occurred and is continuing on the relevant Deferred Remuneration Payment Date, shall be irrevocable) to the Fiscal Agent and, in accordance with Condition 15, the Holders. If the Securities were ever to be listed or admitted to trading, and the rules of the relevant stock exchange or other relevant authority on which the Securities are for the time being listed or by which they are admitted to trading so provide, such stock exchange or relevant authority will also be informed of any such deferral or obligation to pay Deferred Remuneration.

5.6.2 Certificates

The Issuer shall procure that the Fiscal Agent receives in relation to (i) any Optional Remuneration Payment Date in respect of which the Issuer elects to defer the remuneration which would otherwise be due on such date, and (ii) any Remuneration Payment Date as of which there is Deferred Remuneration outstanding, a certificate from the Parent Guarantor’s auditors or (in the case only of paragraphs (d), (e) and (f) of Condition 5.4) an Officer’s Certificate to the effect that none of the conditions specified in paragraphs (d), (e), (f) and sub-clause (i) of paragraph (g) of Condition 5.4 is satisfied (or, as the case may be, to the effect that one or more specified conditions are satisfied and providing a brief statement of the relevant facts), in each case not later than 10 Business Days prior to the relevant Remuneration Payment Date.

6. PAYMENTS AND EXCHANGES OF TALONS

6.1 PAYMENTS IN RESPECT OF SECURITIES

Payments of principal and remuneration in respect of each Security will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Security, except that payments of remuneration due on a Remuneration Payment Date (subject to the provisions set out in Condition 5) (including any Deferred Remuneration whether or not payable on a Remuneration Payment Date) will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of the Fiscal Agent.

6.2 METHOD OF PAYMENT

Payments will be made in euro by credit or transfer to an account denominated in euro (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

6.3 MISSING UNMATURED COUPONS

Each Security which becomes due and repayable should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons). Upon the date on which any Security becomes due and repayable, all unmatured Coupons appertaining to the Security (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

6.4 PAYMENTS SUBJECT TO APPLICABLE LAWS

Payments in respect of principal and remuneration on the Securities are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9.

6.5 PAYMENT ONLY ON A PRESENTATION DATE

A holder shall be entitled to present a Security or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further Remuneration or other payment if a Presentation Date is after the due date.

6.6 EXCHANGE OF TALONS

On and after the Remuneration Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Remuneration Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

6.7 INTERPRETATION OF PRINCIPAL AND REMUNERATION

Any reference in these Conditions to principal or any principal amount in respect of the Securities shall be deemed to include, as applicable:

- (a) any Additional Amounts which may be payable with respect to principal under Condition 9 or under any undertaking given in addition thereto or in substitution therefor; and

- (b) any premium and any other amounts (other than remuneration) which may be payable by the Issuer under or in respect of the Securities.

Any reference in these Conditions to remuneration in respect of the Securities shall be deemed to include, as applicable,

- (i) any Deferred Remuneration; and
- (ii) any Additional Amounts which may be payable under Condition 9 with respect to remuneration or under any undertaking given in addition thereto or in substitution therefor.

7. REDEMPTION AND PURCHASE

Holders should note that, for so long as any of the Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to “Qualifying Subordinated Indebtedness”, the Issuer’s right to (i) redeem the Securities pursuant to the provisions of Conditions 7.2, 7.3, 7.4, 7.5, 7.8 or 8.1, or (ii) purchase and pay for any Securities pursuant to the provisions of Condition 7.6 shall be subject to there being no Senior Obligations Suspension Event, as provided in Condition 7.7 below.

7.1 NO FIXED MATURITY DATE

The Securities are undated securities in respect of which there is no fixed maturity date. The Issuer is not required to redeem or repay the Securities in any circumstances and it shall (subject to the provisions of Condition 2 and without prejudice to the provisions of Condition 10) only have the right, at its option (with the approval of all the Guarantors), to redeem or repay the Securities or purchase them in accordance with the following provisions of this Condition 7 or as provided in Condition 8.

7.2 REDEMPTION AT THE OPTION OF THE ISSUER

The Issuer may, at its option (with the approval of all the Guarantors) but subject to Condition 7.7, by giving not less than 30 nor more than 60 days’ notice to the Fiscal Agent and, in accordance with Condition 15, the Holders (which notice shall, subject to Condition 7.7, be irrevocable and specify the date fixed for redemption), elect to redeem all, but not some only, of the Securities on the First Call Date or on any Remuneration Payment Date thereafter (each an “Optional Redemption Date”) at their Optional Redemption Price, plus any Accrued Remuneration.

7.3 REDEMPTION FOR ADDITIONAL AMOUNTS EVENT

Unless notice of redemption has been given pursuant to Condition 7.4, the Securities may be redeemed, subject to Condition 7.7, at the option of the Issuer (with the approval of all the Guarantors) in whole, but not in part, at any time (on or prior to the First Call Date) or on any Remuneration Payment Date (following the First Call Date), on giving not less than 30 nor more than 60 days’ notice to the Fiscal Agent and, in accordance with Condition 15, the Holders (which notice shall, subject to Condition 7.7, be irrevocable and specify the date fixed for redemption), if:

- (i) on the occasion of the next payment due under the Securities, (a) the Issuer has or will become obliged to pay Additional Amounts by reason of any withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Issuer Tax Jurisdiction (as defined in Condition 9.1), or (b) in circumstances where the Issuer has insufficient funds to make such payment, none of the Guarantors would be able (after taking all reasonable measures available to it) to (x) make such payment under its corresponding Guarantee

or (y) put the Issuer in funds so as to allow the Issuer to make such payment itself, in either case without such Guarantor being obliged to pay Additional Amounts by reason of any withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Guarantor Tax Jurisdiction (as defined in Condition 9.1) applicable to it; and

- (ii) in the case of sub-paragraph (i) (a), such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Securities then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent (a) a certificate signed by two members of the board of directors of the Issuer stating that the Issuer is entitled to effect such redemption, setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem as referred to in sub-paragraphs (i) and (ii) above have occurred and stating whether or not such obligation has arisen as a result of a Tax Law Change, and (b) an opinion of an independent nationally recognized law firm or other tax advisor (which may be an accounting firm) in the relevant Tax Jurisdiction(s) experienced in such matters to the effect that the Issuer or, as the case may be, each Guarantor has or will become obliged to pay such Additional Amounts and stating whether or not, in their opinion, such obligation has arisen as a result of a Tax Law Change.

If the Securities are redeemed pursuant to this Condition 7.3, they will be redeemed in the case of (i) an Additional Amounts Event occurring as a result of a Tax Law Change, at the Optional Redemption Price, plus Accrued Remuneration, and (ii) an Additional Amounts Event occurring other than as a result of a Tax Law Change, at the Early Redemption Price, plus Accrued Remuneration.

7.4 REDEMPTION FOR TAX EVENT

Upon the occurrence of a Tax Event, the Securities may be redeemed, subject to Condition 7.7, at the option of the Issuer (with the approval of all the Guarantors) in whole, but not in part, at any time (on or prior to the First Call Date) or on any Remuneration Payment Date (following the First Call Date), on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 15, the Holders (which notice shall, subject to Condition 7.7, be irrevocable and specify the date fixed for redemption), at the Early Redemption Price, plus Accrued Remuneration.

Prior to the publication of any notice of redemption pursuant to this Condition 7.4, the Issuer shall deliver to the Fiscal Agent (a) a certificate signed by two members of the board of directors of the Issuer stating that the Issuer is entitled to effect such redemption, setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem as referred to in the definition of Tax Event have occurred, and (b) an opinion of an independent nationally recognized law firm or other tax advisor (which may be an accounting firm) in the relevant Tax Jurisdiction experienced in such matters to the effect that the conditions precedent to the right of the Issuer so to redeem as referred to in sub-paragraph (a) of the definition of Tax Event have occurred.

7.5 REDEMPTION ON AN ACCOUNTING EVENT

Upon the occurrence of an Accounting Event, the Securities may be redeemed, subject to Condition 7.7, at the option of the Issuer (with the approval of all the Guarantors) in whole, but not in part, at any time (on or prior to the First Call Date) or on any Remuneration Payment Date (following the First Call Date), on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent, in accordance with Condition 15, the Holders (which notice

shall, subject to Condition 7.7, be irrevocable and specify the date fixed for redemption), at the Early Redemption Price, plus Accrued Remuneration.

7.6 PURCHASES

The Issuer or any of its Affiliates may (with the approval of all the Guarantors) at any time, subject to Condition 7.7, purchase Securities (provided that all unmatured Coupons appertaining to the Securities are purchased with the Securities) in any manner and at any price. If purchases are made by tender, tenders must be available to all Holders alike on the same terms.

7.7 NO OTHER REDEMPTION OR PURCHASE AND LIMITATION ON REDEMPTION

The Securities are not redeemable at the option of the Holders at any time. The Issuer shall not be entitled to redeem, and the Issuer and its Affiliates shall not be entitled to purchase or otherwise acquire the Securities or any interest therein, in either case otherwise than as provided in Conditions 7.2 to 7.6 (inclusive), Condition 7.8 or Condition 8.1.

For so long as any of the Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to “Qualifying Subordinated Indebtedness”, the Issuer may not exercise its right to redeem and repay the Securities pursuant to Conditions 7.2 to 7.6 (inclusive), Condition 7.8 or Condition 8.1, and the Issuer and its Affiliates may not purchase and pay for any Securities, if and so long as a Senior Obligations Suspension Event has occurred and is continuing.

For the avoidance of doubt, if any Senior Obligations Suspension Event occurs and is continuing at the time when notice of redemption is given by the Issuer pursuant to Conditions 7.2 to 7.5 (inclusive), Condition 7.8 or Condition 8.1, or after such time (but before redemption of the Securities), such notice shall be of no effect and the Issuer may not redeem the Securities for so long as a Senior Obligations Suspension Event is continuing. In such circumstances, the Issuer shall notify the Fiscal Agent and, in accordance with Condition 15, the Holders of the fact that the redemption of which notice had previously been given will not be effected by reason of a Senior Obligations Suspension Event. If any relevant Senior Obligations Suspension Event is subsequently cured, the Issuer may only redeem the Securities upon giving a new notice of redemption in accordance with these Conditions.

7.8 CANCELLATIONS AND CLEAN-UP CALL

All Securities which are (a) redeemed by the Issuer or (b) purchased by, or on behalf of, the Issuer will forthwith be cancelled, together with all relative unmatured Coupons attached to the Securities or surrendered with the Securities, and accordingly may not be reissued or resold.

For the avoidance of doubt, the obligations of the Issuer in respect of any Securities which are so redeemed or purchased and in each case cancelled and in respect of which payment of the full amount due has been made shall be discharged. If the Securities were ever to be listed or admitted to trading, and the rules of the relevant stock exchange or other relevant authority on which the Securities are for the time being listed or by which they are admitted to trading so provide, such stock exchange or relevant authority will be informed of any such cancellation.

If the Issuer and/or its Affiliates (as defined in Condition 20) have purchased and cancelled Securities equal to or in excess of 75 per cent., of the aggregate principal amount of the Securities initially issued, the Issuer may, at its option (with the approval of all the Guarantors) but subject to Condition 7.7, by giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 15, the Holders (which notice

shall, subject to Condition 7.7, be irrevocable and specify the date fixed for redemption), elect to redeem all, but not some only, of the remaining Securities at any time on or before the First Call Date at the Early Redemption Price together with Accrued Remuneration.

7.9 NOTICES FINAL

Upon the expiry of any notice as referred to in Conditions 7.2, 7.3, 7.4, 7.5, 7.8 or 8.1, the Issuer shall be bound, subject to Condition 7.7, to redeem the Securities in accordance with the terms of such Condition.

7.10 OTHER REDEMPTION NOTIFICATIONS IF THE SECURITIES WERE TO BE LISTED

If the Securities were ever to be listed or admitted to trading, and the rules of the relevant stock exchange or other relevant authority on which the Securities are for the time being listed or by which they are admitted to trading so provide, such stock exchange or relevant authority will be informed of any such redemption (or, as the case may be, of the fact that any redemption of which notice had previously been given shall not be effected by reason of a Senior Obligations Suspension Event).

7.11 REPLACEMENT CAPITAL

It is the intention of the Parent Guarantor to reinforce the permanence of the funding provided by the Securities in the capital structure of the Parent Guarantor's group. To that end, it is the intention of the Issuer (without conferring any legally enforceable rights on the Holders or Couponholders in this respect) to fund any future redemption of the Securities (other than one consequent upon a Change of Control Event pursuant to Condition 8.1) through proceeds raised in the period of six months preceding such redemption through the issuance of other securities either by the Parent Guarantor or by a Subsidiary whose securities (if not constituting a class of its share capital) will have the benefit of a guarantee from the Parent Guarantor, in either case with an aggregate amount of equity credit at least equal to the aggregate equity credit ascribed to the Securities at the time of issuance of such replacement securities.

8. CHANGE OF CONTROL

8.1 OPTIONAL REDEMPTION UPON A CHANGE OF CONTROL EVENT

If at any time while any of the Securities remains outstanding, a Change of Control Event (as defined in Condition 8.2) occurs, then the Issuer may at its option (with the approval of all the Guarantors), subject to Condition 7.7, redeem all, but not some only, of the Securities.

The Issuer shall notify the Fiscal Agent and (if different at the relevant time) the Calculation Agent and, in accordance with Condition 15, the Holders without undue delay upon becoming aware of the occurrence of a Change of Control Event (and in any event no later than the fifth Business Day after so becoming aware). Such notice shall specify, *inter alia*, the date the Change of Control Event occurred and either the date on which redemption of the Securities will take place (if it has elected to redeem the Securities) or that the Issuer has elected not to redeem the Securities. If the Issuer elects to redeem the Securities, such redemption will, subject to Condition 7.7, take place (i) in the case of a Change of Control Event falling within sub-paragraph (A) of Condition 8.2 (i), on the fifth Business Day following the expiry of the Change of Control Period, or (ii) in the case of a Change of Control Event falling within sub-paragraph (B) of Condition 8.2 (i), not less than 30, and not more than 45, calendar days following such notification by the Issuer to the Holders of the occurrence of a Change of Control Event.

If the Securities are redeemed pursuant to this Condition 8.1, they will be redeemed as follows:

- (i) at their Optional Redemption Price, plus Accrued Remuneration in circumstances where:
 - (A) the Change of Control Event which has occurred falls within sub-paragraph (A) of Condition 8.2 (i) and any Rating Agency publicly announces within the Change of Control Period (either at the request of the Relevant Person(s) or otherwise) that it has assigned to the senior unsecured long-term indebtedness of the Issuer or the Parent Guarantor (or their respective successors) a credit rating which is below investment grade (BB+/Ba1, or below); or
 - (B) the Change of Control Event which has occurred falls within sub-paragraph (B) of Condition 8.2 (i); or
- (ii) otherwise, at their Early Redemption Price, plus Accrued Remuneration.

8.2 RATE OF REMUNERATION AND CHANGES TO CONDITIONS FOLLOWING A CHANGE OF CONTROL EVENT

If a Change of Control Event is deemed to have occurred and the Issuer has elected not to redeem the Securities in accordance with the provisions of Condition 8.1 above or if redemption does not take place by reason of Condition 7.7, Condition 4.1 will apply so that remuneration will accrue on each Security from the date of the Change of Control Event (i) (if a Change of Control Event occurs during a Fixed Remuneration Period) at the aggregate of the Change of Control Margin and the Fixed Rate of Remuneration, during each Fixed Remuneration Period, and thereafter (ii) for the purposes of each Floating Remuneration Period, at a floating rate equal to the aggregate of the Change of Control Margin and the relevant Floating Rate of Remuneration for such Floating Remuneration Period.

For the purposes of this Condition 8:

- (i) A “Change of Control Event” shall be deemed to have occurred in the following circumstances:
 - (A) if at the relevant time no public credit rating is assigned to the Issuer’s or the Parent Guarantor’s senior unsecured long-term indebtedness by any Rating Agency, at each time (whether or not approved by a general meeting of the shareholders or the board of directors of the Parent Guarantor) that any person or persons acting in concert (the “Relevant Person(s)”), or any person or persons acting on behalf of, any Relevant Person(s), at any time directly own(s) or acquire(s) or indirectly obtains control of, (A) more than 50 per cent. of the issued or allotted ordinary shares of the Parent Guarantor or (B) such number of the shares in the capital of the Parent Guarantor carrying more than 50 per cent. of the voting rights normally exercisable at a general shareholders’ meeting of the Parent Guarantor (a “Change of Control”), provided, however, that a Change of Control shall not be deemed to have occurred for the purposes of Condition 8 if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Parent Guarantor with the same (or substantially the same) pro rata interests in the share capital of the Relevant Person as such shareholders have, or as the case may be, had, in the shares of the Parent Guarantor; or
 - (B) if at the relevant time a public credit rating is assigned to the Issuer’s or the Parent Guarantor’s senior unsecured long-term indebtedness by one or more Rating Agencies, at each time (a) there is a Change of Control, and (b) any such credit rating is reduced by one or more rating notches or withdrawn, in either case within the Change of Control Period and the relevant Rating Agency or

Agencies publicly announce(s) that such reduction or withdrawal is linked to the Change of Control;

- (ii) "Change of Control Margin" means 5 per cent. per annum;
- (iii) "Change of Control Period" means a period of 90 days following the relevant Change of Control; and
- (iv) References to a public credit rating shall be construed as references to a credit rating solicited by the Issuer or the Parent Guarantor or an Affiliate and rendered public by the relevant Rating Agency.

9. TAXATION

9.1 PAYMENT WITHOUT WITHHOLDING

All payments of principal and remuneration in respect of the Securities by, or on behalf of, the Issuer or any Guarantor under its Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as defined below), unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the relevant Guarantor will pay such additional amounts ("Additional Amounts") as shall be necessary in order that the net amounts received by the Holders and Couponholders after such withholding or deduction shall equal the respective amounts of principal and remuneration which would otherwise have been receivable in respect of the Securities or Coupons or the relevant Guarantee, as the case may be, in the absence of such withholding or deduction; except that no Additional Amounts shall be payable in respect of any Security or Coupon:

- (a) presented for payment by, or on behalf of, a Holder or Couponholder who is liable for such taxes or duties in respect of such Security or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of the Security or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder or Couponholder thereof would have been entitled to an Additional Amount on presenting the same for payment on the last Presentation Date in that period of 30 days; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (the "Directive") or any law implementing or complying with, or introduced in order to conform to, the Directive; or
- (d) presented for payment by, or on behalf of, a Holder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Security or Coupon to another Paying or Fiscal Agent in a Member State of the European Union; or
- (e) presented for payment by, or on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

As used herein:

- (i) "Issuer Tax Jurisdiction" means Luxembourg, or any political subdivision or any authority thereof or therein having power to tax, or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer

becomes subject in respect of payments of principal or remuneration due by it in respect of the Securities or the Coupons;

- (ii) “Guarantor Tax Jurisdiction” means, in relation to each Guarantor, the jurisdiction of its incorporation and residence, or any political subdivision or any authority thereof or therein having power to tax, or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which such Guarantor becomes subject in respect of payments due by it under its Guarantee or made by it to the Issuer;
- (iii) “Tax Jurisdiction” means, in relation to the Issuer, any Issuer Tax Jurisdiction and, in relation to any Guarantor, any Guarantor Tax Jurisdiction applicable to it; and
- (iv) the “Relevant Date” means in this Condition 9.1 and in Condition 10, in respect of any Securities or Coupons, the date on which payment in respect of such Securities or Coupons first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 15.

9.2 ADDITIONAL AMOUNTS

Any reference in these Conditions to any amounts in respect of the Securities shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition.

10. PRESCRIPTION

Claims against the Issuer or any Guarantor in respect of principal and remuneration on the Securities will become void unless the Securities and Coupons (which for this purpose shall not include Talons) are presented for payment within a period of 10 years (in the case of principal) and five years (in the case of remuneration) after the Relevant Date (as defined in Condition 9) therefor subject to the provisions of Condition 6.3. There shall not be included in any Coupon Sheet upon exchange of a Talon any Coupon which would become void under this Condition 10 or Condition 6.3.

11. NO EVENTS OF DEFAULT

For the avoidance of doubt, Holders and Couponholders have no acceleration rights in respect of the Securities.

12. LIQUIDATION OF THE ISSUER AND REMEDIES EVENT

12.1 LIQUIDATION OF THE ISSUER

If any judgment is issued for a liquidation or bankruptcy (including, without limitation, any bankruptcy (*faillite*), insolvency, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*action pauliana*), general settlement with creditors or reorganisation proceedings or similar proceedings affecting the rights of creditors generally) of the Issuer or the Parent Guarantor or if the Issuer or the Parent Guarantor has been liquidated for any other reason, then the Securities shall immediately become due and payable but subject always to the provisions of Condition 2 and, in relation to the Guarantees, Condition 3.3 and, in either case, to any mandatory provisions of law.

12.2 REMEDIES EVENT

If a Remedies Event occurs and is continuing, any Holder may, having first given written notice to the Issuer and the Fiscal Agent institute proceedings to obtain the payment of any amounts due (provided that no Senior Obligations Suspension Event has occurred and is continuing) or, as the case may be, compliance with the defaulted obligation, provided that the Holders and Couponholders (a) may not declare the aggregate amount of the Securities due and payable, and (b) may not initiate any bankruptcy, insolvency or similar proceedings with respect to the Issuer and expressly waive any such right while any Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to “Qualifying Subordinated Indebtedness”.

13. REPLACEMENT OF SECURITIES AND COUPONS

Should any Security or Coupon be lost, stolen, mutilated, defaced or destroyed, it may, subject to any applicable laws, be replaced at the specified office of the Fiscal Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued.

14. FISCAL AGENT AND CALCULATION AGENT

The name of the initial Fiscal Agent and its initial specified office is at the end of these Conditions.

The Fiscal Agent may resign its appointment and the Issuer is entitled to vary or terminate the appointment of any Fiscal or Paying Agent and/or appoint additional or other Fiscal or Paying Agents and/or approve any change in the specified office through which any Fiscal or Paying Agent acts, provided that:

- (a) if the Securities are at any time listed on any stock exchange or admitted to listing by any other relevant authority, there will be at all times be a Fiscal Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (b) the Issuer undertakes that it will ensure that it maintains a Fiscal Agent in a Member State of the European Union that it is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) if the requirement to pay Additional Amounts would not arise if the Securities were presented at another paying agent in a jurisdiction within continental Europe other than the jurisdiction in which the Issuer is incorporated, a Fiscal Agent will be appointed in such jurisdiction.

Any resignation, variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 and not more than 45 days' prior notice thereof shall have been given to the Holders in accordance with Condition 15.

In acting under the Agency Agreement, the Fiscal Agent shall act solely as agent of the Issuer and the Calculation Agent shall act as an independent expert and neither of them shall assume any obligation to, or relationship of agency or trust with, any Holders or Couponholders.

15. NOTICES

All notices regarding the Securities will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London and Europe. It is expected that such publication will be made in the *Financial Times* in London.

In respect of any period during which the Securities are not listed or admitted to trading on a stock exchange and in the case only of notices given by the Calculation Agent pursuant to Condition 4.5, if on any Remuneration Determination Date the Calculation Agent, in its absolute discretion:

- (i) believes that it is able to determine to its satisfaction that (a) all Securities outstanding are held as of such date by a depositary on behalf of any of the Clearing Systems and (b) it is the practice at such time of each of the Clearing Systems to pass notices to their accountholders; and
- (ii) determines that the Securities are so held and that such practice prevails,

such notices to Holders will be valid if delivered to the Clearing Systems for communication to the relevant entitled accountholders.

If the Securities were ever to be listed or admitted to trading, the Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Securities are for the time being listed or by which they have been admitted to trading.

Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers, except that notices which are delivered to the Clearing Systems in accordance with the second paragraph of this Condition 15 will be deemed to have been given on the third Business Day following such delivery.

16. MEETINGS OF HOLDERS, MODIFICATION AND WAIVER

16.1 MEETINGS OF HOLDERS

The Agency Agreement contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of the Securities, the Coupons, any Guarantee or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Holders holding not less than ten per cent. in principal amount of the Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Securities, the Coupons, or any Guarantee, the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting, and on all Couponholders.

The provisions of articles 86 to 94–8 of the Luxembourg act of 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Securities or the Coupons.

16.2 MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

The Fiscal Agent, the Issuer and/or any Guarantor may agree, without the consent of the Holders or Couponholders, to:

- (a) any modification of the Securities, the Coupons, any Guarantee, or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law, provided that any such modification is not prejudicial to the interests of the Holders; or
- (b) any other modification (except as mentioned above) of the Securities, the Coupons, any Guarantee, or the Agency Agreement which is not prejudicial to the interests of the Holders.

Any such modification shall be binding on the Holders and the Couponholders and any such modification shall be notified to the Holders in accordance with Condition 15 as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Holders or Couponholders to create and issue further securities ranking *pari passu* in all respects with, and having terms and conditions the same as those of, the Securities (save for the amount and date of the first payment of remuneration thereon but, for the avoidance of doubt, having the benefit of the Guarantees) and so that the same shall be consolidated and form a single series with the outstanding Securities.

18. COVENANT

The Parent Guarantor shall deliver to each Holder:

- (a) promptly after the same are available and in any event within 45 days after the end of each quarterly fiscal period in each fiscal year of the Parent Guarantor (other than the last quarterly fiscal period of each such fiscal year) an unaudited consolidated balance sheet of the Parent Guarantor and its Subsidiaries as at the end of such quarter, and an unaudited consolidated profit and loss account and cash flow statement of the Parent Guarantor and its Subsidiaries for such quarter and (in the case of the second and third quarter) for the portion of the fiscal year ending with such quarter, setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, subject to changes resulting from year-end adjustments and providing a summary of any material recent development in the financial condition of the Parent Guarantor and its Subsidiaries (taken as a whole) since the last such quarter; and
- (b) promptly after the same are available and in any event within 150 days after the end of each fiscal year of the Parent Guarantor, the audited consolidated balance sheet of the Parent Guarantor and its Subsidiaries as at the end of such year and the audited consolidated profit and loss account and cash flow statement for such year, prepared in accordance with GAAP.

Such quarterly and annual accounts shall be deemed to be validly delivered to Holders if delivered to the Clearing Systems for communication to the relevant entitled accountholders. Substantially concurrently with the delivery of the quarterly and annual accounts to the Clearing Systems, the Parent Guarantor shall also use its commercially reasonable efforts to post copies of such accounts on such website as may be then maintained by the Parent Guarantor.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Securities, the Coupons or the Talons but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 GOVERNING LAW

The Agency Agreement, the Securities, the Coupons and the Guarantees are governed by, and shall be construed in accordance with, English law.

20.2 SUBMISSION TO JURISDICTION

The Issuer and each Guarantor irrevocably agrees, for the benefit of the Holders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Securities, the Coupons or the Guarantees and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer and each Guarantor waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Holders and the Couponholders may take any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Securities, the Coupons or the Guarantees, against the Issuer or, as the case may be, the relevant Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

20.3 APPOINTMENT OF PROCESS AGENT

The Issuer and each Guarantor has in the Agency Agreement appointed Law Debenture Corporate Services Limited at its registered office as its agent for service of process and undertakes that in the event of ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process.

21. DEFINITIONS

An "Accounting Event" occurs when, following the date on which M&G Finanziaria S.r.l. or the Parent Guarantor opts to prepare its consolidated financial statements pursuant to the International Financial Reporting Standards or any other accounting standards that may replace such standards for the purposes of the relevant consolidated financial statements (together, "IFRS"), an Accounting Opinion is delivered to the Fiscal Agent.

"Accounting Opinion" is an opinion from the auditors of M&G Finanziaria S.r.l. or the Parent Guarantor delivered to the Fiscal Agent stating that the funds raised through the issuance of the Securities must not or must no longer be recorded as "equity" pursuant to IFRS for the purposes of the annual consolidated financial statements of M&G Finanziaria S.r.l. or the Parent Guarantor.

"Accrued Remuneration" means remuneration (including Deferred Remuneration) accrued from the immediately preceding Remuneration Payment Date on which (or in respect of which) remuneration (including Deferred Remuneration) was paid or, if none, the Remuneration Commencement Date, to the date of redemption.

An "Additional Amounts Event" occurs when the Issuer is required to pay Additional Amounts as contemplated by Condition 9.

"Administrative Action" means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any

notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental or administrative authority or regulatory body having appropriate jurisdiction.

“Affiliate” means, in relation to any person, any other person, directly or indirectly controlling or controlled by or under direct or indirect common control with such person.

“Bond Yield” means the rate per annum equal to the annual yield to maturity of the Comparable Bond Issue, assuming a price equal to the Comparable Bond Price for the Calculation Date.

“Calculation Date” means the third TARGET Settlement Day prior to the date of redemption.

“Clearing Systems” means Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) or any other clearing system approved by the Fiscal Agent through which the Securities may be held in the future.

“Comparable Bond Issue” means, with respect to the date of redemption, the Euro-denominated German government benchmark bond (Bund) selected by the Calculation Agent that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity with the remaining term of the Securities from the redemption date to the First Call Date.

“Comparable Bond Price” means (a) the average of five Reference Bond Dealer Quotations, after excluding the highest and lowest of such Reference Bond Dealer Quotations; or (b) if the Calculation Agent obtains fewer than five such Reference Bond Dealer Quotations, the average of all such Reference Bond Dealer Quotations.

“Credit Facility” means each credit, loan or borrowing facility, private placement or other issuance of securities (each individually a “facility”) entered into (including any renewal or extension of a then existing facility) on or after the Remuneration Commencement Date by the Issuer, the Parent Guarantor or any Subsidiary of the Issuer or the Parent Guarantor in a principal amount equal to or greater than €10,000,000 (or the equivalent in any other currency, determined as of the date of the financial closing of such facility based on the exchange rate of such other currency for Euros), but excluding any such facility (i) relating to a project financing undertaken by any such person strictly on a non-recourse basis, (ii) existing at the time any corporation or other business entity becomes a Subsidiary of the Parent Guarantor, or a refinancing of any such facility provided that (a) the principal amount thereof outstanding immediately before giving effect to such refinancing is not increased and (b) neither the Parent Guarantor nor any of its other Subsidiaries shall assume or otherwise be directly or indirectly liable for any indebtedness pursuant to such facility, or (iii) entered into solely for cash management or similar purposes in the ordinary course of business that provides a netting or cash pooling arrangement by and among the Parent Guarantor or one or more of its Subsidiaries in respect of the indebtedness under such facility. If any such facility entered into after the date of the Remuneration Commencement Date provides for both a cash management netting arrangement as described above and other indebtedness not subject to netting arrangements, the determination of whether such facility constitutes a Credit Facility will be based solely upon such other indebtedness not subject to netting arrangements.

“Early Redemption Price” means (a) in relation to any redemption occurring on or before the First Call Date, the greater of (i) the principal amount of the Securities and (ii) an amount in Euro rounded to the nearest Euro cent (half a Euro cent being rounded upwards), as determined by the Calculation Agent, equal to the sum of (x) the then present value of the principal amount and (y) the then present values of the scheduled remuneration amounts, calculated on the basis of the principal amount, from (and including) the next scheduled Remuneration Payment Date to (but excluding) the First Call Date, and (b) in relation to any

redemption occurring after the First Call Date, the principal amount of the Securities. (For the purposes of sub-paragraph (a) (ii), the present values of (x) and (y) shall be calculated by discounting the principal amount and the scheduled remuneration amounts to the date fixed for redemption at the Bond Yield plus 0.75 per cent.)

“Existing Notes” means (i) the 7.67% Guaranteed Senior Notes, Series A, due 2009, and (ii) the 8.15% Guaranteed Senior Notes, Series B, due 2012 issued by M&G Finance Corporation and guaranteed by the Parent Guarantor pursuant to Note and Guarantee Agreements dated as of 19 April 2002 (as such agreements may be amended or supplemented from time to time, the “Existing Note and Guarantee Agreements”).

“Existing Notes Guarantees” means, at any time, the guarantees of the Parent Guarantor, the Issuer and the Subsidiary Guarantors in respect of the Existing Notes at such time pursuant to the Existing Note and Guarantee Agreements.

“GAAP” means, with respect to any person, generally accepted accounting principles as in effect from time to time in accordance with which the relevant financial statements of such person are prepared.

“Interbanca Credit Facilities” means (a) the €80,000,000 Credit Facility Agreement dated 24 April 2002, as amended on 30 September 2002 and 17 December 2002, between the Parent Guarantor, as original borrower, M&G Polimeri Italia S.p.A., as additional borrower and Interbanca S.p.A. as arranger, original lender and facility agent (the “Euro Credit Facility Agreement”), and (b) the US\$100,000,000 Credit Facility Agreement dated 30 May 2006, as amended on 20 December 2006, between the Parent Guarantor, as borrower, M&G Polimeri Italia S.p.A., as additional borrower, and Interbanca S.p.A. as arranger, original lender and facility agent (the “US\$ Credit Facility Agreement”), in either case as such agreement may be amended or supplemented from time to time and includes, for the avoidance of doubt (except where the context otherwise requires) in relation to each of the Euro Credit Facility Agreement and the US\$ Credit Facility Agreement, the associated Finance Documents (as defined in each such agreement).

“Interbanca Obligations” means the obligations at any time of (a) each Guarantor (whether as original borrower, as original borrower guarantor, as additional borrower or as subsidiary guarantor), and (b) the Issuer (as subsidiary guarantor), in either case in respect of the Interbanca Credit Facilities.

“Junior Obligations” mean, with respect to the Issuer, any Guarantor or any of their respective Subsidiaries, any Obligations issued or otherwise incurred by such person and which are expressed by their terms, or required by applicable law, to rank junior, or be subordinated, to Parity Obligations of such person (or would if Parity Obligations of such person existed at the relevant time).

“Luxembourg” means the Grand Duchy of Luxembourg.

“Obligations” means, with respect to any person, any payment obligation expressed to be assumed by, or imposed on, such person pursuant to the terms of any outstanding indebtedness (including, for the avoidance of doubt, any guarantee or indemnity with respect to indebtedness of any other person) incurred by such person.

“Officer’s Certificate” means, in relation to the Parent Guarantor or any of its Subsidiaries, a certificate of a Senior Financial Officer or of any other officer of the Parent Guarantor, as the case may be, whose responsibilities extend to the subject matter of such certificate.

“Optional Redemption Price” means a redemption price equal to the aggregate principal amount of the Securities being redeemed.

“Other Senior Obligations” means, with respect to the Issuer or any Guarantor, (a) any indebtedness for borrowed money of such person represented by a credit agreement or the

issuance of debt securities, or (b) any guarantee or indemnity given by such person in respect of any indebtedness for borrowed money represented by a credit agreement or the issuance of debt securities of the Issuer or any Guarantor or any Guarantor's Subsidiaries which, in either case, is incurred by such person after the Remuneration Commencement Date and which (i) ranks, or is expressed to rank, (x) senior in right of payment to (in the case of the Issuer) the Securities, or (in the case of a Guarantor) such Guarantor's Guarantee, and (y) *pari passu* with (in the case of the Issuer) the Issuer's, or (in the case of a Guarantor) such Guarantor's Existing Notes Guarantee and/or Interbanca Obligations, and (ii) confers on its holders no further or additional priority to the rights of the Holders or Couponholders (including in their capacity as beneficiaries of such Guarantor's Guarantee) than those priorities conferred, as of the Remuneration Commencement Date, on the holders of the Existing Notes Guarantees and the Interbanca Obligations in accordance with the terms of their respective Senior Obligations Documentation.

"Parity Obligations" mean, with respect to the Issuer, any Guarantor or any of their respective Subsidiaries, any subordinated Obligations issued or otherwise incurred by such person and which rank, or are expressed to rank, (i) *pari passu* amongst themselves, (ii) *pari passu* (in the case of the Issuer) with the Securities, (in the case of any Guarantor) with its Guarantee, and (in the case of any of their respective Subsidiaries) with any other Obligations of such person whose status and rank is equivalent to those of the Securities and the Guarantees, and (iii) junior and subordinated to any unsubordinated Obligations of such person.

"Presentation Date" means a day which (subject to Condition 10):

- (a) is or falls after the relevant due date;
- (b) is a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in the place of the specified office of the Fiscal Agent at which the Security or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account, is a TARGET Settlement Day.

"Rating Agency" means, at any time, any internationally recognised rating agency and includes Moody's Investors Services, Inc., Standard & Poor's Rating Services, a division of McGraw-Hill Companies Inc., Fitch Ratings Limited and their respective affiliates or successors.

"Reference Bond Dealer" means (a) the Calculation Agent and (b) any other primary bond dealers selected in consultation with the Issuer by the Calculation Agent.

"Reference Bond Dealer Quotations" means the arithmetic average, as determined by the Calculation Agent, of the bid and offer prices for the Comparable Bond Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by any Reference Bond Dealer at 11.00 a.m. (London time) on the Calculation Date.

"Remedies Event" occurs if (a) the Issuer fails to pay any amount of remuneration which has become due and payable in respect of any Securities or Coupons and such failure continues for a period of five days, or (b) the Issuer fails to comply with any other obligation set out in these Conditions and such failure continues for a period of 30 days after written notice of such failure is given to the Issuer or the Fiscal Agent by any Holder or Couponholder.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Parent Guarantor.

"Senior Obligations" means (a) the Existing Notes Guarantees, (b) the Interbanca Obligations, and (c) any Other Senior Obligations.

“Senior Obligations Documentation” means (a) in relation to the Existing Notes Guarantees, the Existing Note and Guarantee Agreements; (b) in relation to the Interbanca Obligations, the Euro Credit Facility Agreement and the US\$ Credit Facility Agreement; and (c) in relation to any Other Senior Obligations, the agreement, instrument, securities, guarantee, indemnity or other documentation pursuant to which such Other Senior Obligations are created or incurred.

“Senior Obligations Guarantees” means (a) the Existing Notes Guarantees, (b) the guarantees of each Guarantor (whether as original borrower guarantor or as subsidiary guarantor) or the Issuer (as subsidiary guarantor) given at any time in respect of the Interbanca Credit Facilities, and (c) any Other Senior Obligations which are guarantees or indemnities given at any time by the Issuer or any Guarantor in respect of any indebtedness for borrowed money (represented by a credit agreement or the issuance of debt securities) of the Issuer, any Guarantor or any Guarantor’s Subsidiaries.

“Senior Obligations Suspension Event” means, with respect to any Senior Obligations, for so long as any of such Senior Obligations are (a) outstanding and (b) contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to “Qualifying Subordinated Indebtedness” and in relation to any Remuneration Payment Date or Deferred Remuneration Payment Date or any other date on which a payment (whether of principal or remuneration) in respect of the Securities would otherwise be due under these Conditions (each, as used in this definition, a “Relevant Date”), the occurrence of either one or both of the following two conditions:

- (i) a Default or an Event of Default or, in the case of any Other Senior Obligations, an equivalent event (howsoever called) giving rise to the same remedies as a Default or an Event of Default in respect of the Existing Notes Guarantees or the Interbanca Obligations (each as defined or specified in the Senior Obligations Documentation) has occurred under such Senior Obligations on or before such Relevant Date and is continuing on such Relevant Date; or
- (ii) unless the relevant (x) Senior Obligations Guarantees or (y) in relation to each Interbanca Credit Facility, Interbanca Obligations of the Borrowers (as defined in the Euro Credit Facility Agreement or, as appropriate, the US\$ Credit Facility Agreement) have been paid in full or discharged on or before such Relevant Date, there is an outstanding claim under the relevant Senior Obligations Guarantees or, as the case may be, Interbanca Obligations which has not been, or will not be, paid in full or discharged before such Relevant Date.

“Subsidiary” means, with respect to any Guarantor, any corporation or other business entity a majority of (a) the share capital (or the like) of which, or (b) the combined voting power of all Voting Shares of which, is owned by such Guarantor or one or more of its Subsidiaries or by such Guarantor and one or more of its Subsidiaries.

“Tax Event” means (a) any amendment to, change in, or clarification of the laws (or any regulations thereunder) or treaties of (i) any Issuer Tax Jurisdiction or (ii) any jurisdiction to which an Affiliate of the Issuer to which the proceeds of the issue of the Securities are lent (the “Intra-Group Borrower”) is subject for corporation tax purposes becoming effective on or after the Remuneration Commencement Date, as a result of which any interest deduction available to the Issuer or, as the case may be, the Intra-Group Borrower is fully disallowed, significantly reduced or otherwise adversely affected in any material respect, and (b) in each case, the effect of which cannot be avoided by the Issuer or, as the case may be, the Intra-Group Borrower taking reasonable measures available to it.

“Tax Law Change” means the receipt by the Issuer of an opinion of an independent nationally recognised law firm or other tax adviser (which may be an accounting firm) from each relevant Tax Jurisdiction experienced in such matters to the effect that, as a result of (i) any

amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of such Tax Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action, or (iii) any amendment to, clarification of, or change in the official position on the interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to any Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification or change is effective or which interpretation or pronouncement is announced on or after the Remuneration Commencement Date, there is more than an insubstantial risk that the Issuer or, as the case may be, each Guarantor has or will become obliged to pay any Additional Amounts as contemplated in Conditions 7.3 and 9.1.

“Voting Shares” means, with respect to any Subsidiary, any shares of any class of share capital or any other equity interests of any class of such Subsidiary whose holders are entitled under ordinary circumstances to vote for the election of a majority of the directors, managers, trustees or other governing body of such Subsidiary (irrespective of whether at the time shares or other equity interests of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The Securities will initially be in the form of the Temporary Global Security which will be deposited on or around the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Security will be exchangeable in whole or in part for interests in the Permanent Global Security 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 Security unless exchange for interests in the Permanent Global Security is improperly withheld or refused. In addition, interest payments in respect of the Securities cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Security will be exchangeable in whole, but not, except as provided in the next paragraph, in part, for Securities in definitive form (the “Definitive Securities”) in the denomination of €50,000 each at the request of the bearer of the Permanent Global Security (i) if the Permanent Global Security is held on behalf of Euroclear or Clearstream, Luxembourg and both clearing systems are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (ii) any of the circumstances described in Condition 12.2 occur. Thereupon (in the case of (ii) above) the holder may give notice to the Fiscal Agent and (in the case of (i) above) the Issuer may give notice to the Fiscal Agent and the Holders, of its intention to exchange the Permanent Global Security for Definitive Securities on or after the Exchange Date specified in the notice.

On or after any Exchange Date (as defined below) the holder of the Permanent Global Security may surrender the Permanent Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for the Permanent Global Security, or the part thereof to be exchanged, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Security), security printed in accordance with any applicable legal requirements and in, or substantially in, the form set out in Schedule 1 to the Agency Agreement. On exchange in full of the Permanent Global Security, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Securities.

“**Exchange Date**” means a day falling not less than 60 days, or in the case of exchange pursuant to (ii) above 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the place in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

In addition, the Temporary Global Security and the Permanent Global Security will contain certain provisions which modify the Terms and Conditions of the Securities as they apply to the Temporary Global Security and the Permanent Global Security.

Payments

No payment will be made on the Temporary Global Security unless exchange for an interest in the Permanent Global Security is improperly withheld or refused. All payments in respect of the Temporary Global Security and the Permanent Global Security will be made against presentation and (in the case of payment of principal in full and with all remuneration accrued thereon) surrender of the Temporary Global Security or (as the case may be) the Permanent Global Security to, or to the order of, the Fiscal Agent or such other paying agent as shall have been notified to the Holders for such purpose and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Securities.

Notices

Notwithstanding Condition 15, while the Securities are represented by the Permanent Global Security and the Temporary Global Security or the Permanent Global Security is deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Holders 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 Holders in accordance with Condition 15, on the date of delivery to Euroclear and Clearstream, Luxembourg.

FORM OF GUARANTEES

The following is the text of the Guarantees to be entered into by each of the Guarantors on or before the Closing Date:

This Guarantee is made as a deed on 9 March 2007 by [MOSSI & GHISOLFI INTERNATIONAL S.A., incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, having its registered office at 3, boulevard de la Foire, L-1528 Luxembourg and, registered with the Luxembourg trade and companies register under number B.66955][M&G MEXICO HOLDING, S.A. de C.V., incorporated as a corporation (*sociedad anónima de capital variable*) in Mexico under the General Law of Commercial Companies (*Ley General de Sociedades Mercantiles*) on 3 May 2000 with registered number 263180 at the Public Registry of Commerce of the Federal District (*Registro Público de Comercio del Distrito Federal*)] [M&G POLIMERI ITALIA S.P.A., incorporated as a *société per azioni* in Italy under the laws of the Republic of Italy on 25 November 1999 with registered number 12969960157][M&G POLYMERS USA LLC, formed as a limited liability company in the State of Delaware in the United States on 5 May 1999] [delete as appropriate] (the “Guarantor”).

RECITALS

- (A) M&G Finance Luxembourg S.A. (the “Issuer”) has issued €200,000,000 Undated Subordinated Fixed/Floating Rate Cumulative Securities (the “Securities”) on the terms and conditions thereof (the “Conditions”).
- (B) The Guarantor wishes to guarantee, subject to the terms hereof, on a subordinated basis the due and punctual payment of any amounts payable by the Issuer in accordance with the Conditions on the terms hereof.
- (C) The purpose of this Guarantee is to ensure that the holders of the Securities and the remuneration coupons (the “Coupons”) relating thereto (the “Holders”) in any and all circumstances receive, subject to the terms hereof, on the respective due date any and all sums payable in accordance with the Conditions.
- (D) On or before the date hereof, each of [INSERT NAMES OF OTHER GUARANTORS] (the “Other Guarantors”) have guaranteed on a subordinated basis all the Issuer’s obligations under the Securities on terms substantially the same as the terms hereof (each such guarantee and any further guarantee entered into pursuant to the provisions of Condition 3.2, and together with this Guarantee, the “Guarantees”). Holders may seek to enforce payment under the Securities or the Coupons pursuant to all or any of the Guarantees.
- (E) All terms used but not defined herein shall have the meanings given thereto in the Conditions.

1 Guarantee

- (a) The Guarantor, jointly and severally with the Other Guarantors, unconditionally and irrevocably guarantees on a subordinated basis that, if for any reason the Issuer does not pay any sum payable by it under the Securities or the Coupons relating thereto (whether or not attached thereto) on the required date for such payment (in accordance with the Conditions), the Guarantor will, subject to the terms and conditions of this Guarantee, duly and promptly on demand, pay that sum to the Holders in euro.
- (b) All payments under this Guarantee by the Guarantor will be made subject to Condition 6 (*Payments and Exchanges of Talons*) of the Securities.
- (c) For the purposes of this guarantee, M&G México Holding, S.A. de C.V. waives its benefits of order, excussion and division (*beneficios de order, excusión y división*) in accordance with Mexican Law.

2 Status of Guarantee

- (a) The payment obligations of the Guarantor hereunder constitute direct, unsecured and subordinated obligations of the Guarantor. In the event of the voluntary or involuntary liquidation or bankruptcy of the Guarantor, the rights of the Holders to payments due under this Guarantee (i) will be satisfied after (but only after), and subject to the condition that, the claims of holders of all Senior Obligations of the Guarantor shall have first been paid in full or discharged, and (ii) will rank:
- (i) *pari passu* with amounts due to holders of any present or future Parity Obligations of the Guarantor, in their capacity as such holders;
 - (ii) in priority to amounts due to holders of (i) all classes of shares of the Guarantor, and (ii) any present or future Junior Obligations of the Guarantor, in either case in their capacity as such holders; but
 - (iii) junior in right of payment to, and subordinated to the payment of, amounts due to holders of any present or future unsubordinated Obligations of the Guarantor, in their capacity as such holders (including claims under any Senior Obligations of the Guarantor).
- (b) The Guarantor may not set-off (including by way of legal set-off in jurisdictions where the concept is legally relevant) any matured payment obligation owing to it by any Holder against any amount payable by it to such Holder in connection with this Guarantee. No Holder may set-off any matured payment obligation owing to it by the Guarantor in connection with this Guarantee against any amount payable by it to the Guarantor.

3 Guarantor as Principal Debtor

- (a) As between the Guarantor and the Holders but without affecting the Issuer's obligations, the Guarantor will be liable under this Guarantee as if it were the sole principal debtor and not merely a surety.
- (b) Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability if it were the sole principal debtor (including (1) any time, indulgence, concession, waiver or consent at any time given to the Issuer, any Other Guarantor or any other person, (2) any amendment or supplement to any of the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer, any Other Guarantor or any other person for payment, (4) the enforcement or absence of enforcement of the Securities or the Coupons relating thereto or of any security or other guarantee or indemnity, (5) the taking, existence or release of any security, guarantee or indemnity, (6) the winding-up, dissolution, amalgamation, reconstruction or reorganisation of the Issuer, any Other Guarantor or any other person, (7) the illegality, invalidity or unenforceability of or any defect in any provision of the Securities, the Coupons, the guarantee of any Other Guarantor or any of the Issuer's or, as the case may be, such other Guarantor's obligations under any of them, or (8) the settlement or compromise of any obligation guaranteed or incurred hereby or guaranteed by any Other Guarantor).

4 Guarantors' Obligations Continuing

- (a) [Subject as set out below,] [***applicable only where the Guarantor is not Mossi & Ghisolfi International S.A.***] the Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Securities or the Coupons relating thereto.
- (b) Furthermore, [subject as set out below,] [***applicable only where the Guarantor is not Mossi & Ghisolfi International S.A.***] those obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour

of any person, whether from the Guarantor, any Other Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any Other Guarantor, any other person, any security or any other guarantee or indemnity.

5 Exercise of Guarantor's Rights

So long as any sum remains payable under the Securities or the Coupons relating thereto, no right of the Guarantor, by reason of the performance of any of its obligations under this Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced.

6 Avoidance of Payments

The Guarantor shall on demand indemnify each Holder against any cost, loss, expense or liability sustained or incurred by it as a result of it being required for any reason (including any bankruptcy, insolvency, winding-up, dissolution or similar law of any jurisdiction) to refund all or part of any amount received or recovered by such Holder in respect of any sum payable by the Issuer under the Securities or the Coupons relating thereto and shall in any event pay to it on demand the amount as refunded by it.

7 Indemnity

As a separate, independent and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum which, although expressed to be payable by the Issuer under the Securities or the Coupons relating thereto, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor or any Holder) not recoverable from the Guarantor on the basis of a guarantee shall nevertheless be recoverable from it as if it were the sole principal debtor and shall be paid by it to the relevant Holder on demand.

8 Certain Restrictions

- (a) If a Remedies Event occurs and is continuing, any Holder may, having first given written notice to the Guarantor, institute proceedings to obtain the payment of any amounts due hereunder (provided that no Senior Obligations Suspension Event has occurred and is continuing) or, as the case may be, compliance with the defaulted obligation guaranteed under this Guarantee, provided that the Holders and Couponholders may not, and expressly waive any such rights, while any Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to "Qualifying Subordinated Indebtedness", initiate any bankruptcy, insolvency or similar proceedings with respect to the Guarantor. A Remedies Event occurs if (a) the Guarantor fails to pay any amount which has become due and payable under this Guarantee and such failure continues for a period of five days, or (b) the Guarantor fails to comply with any other obligation set out in this Guarantee and such failure continues for a period of 30 days after written notice of such failure is given to the Guarantor or the Fiscal Agent by any Holder.
- (b) While any Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to "Qualifying Subordinated Indebtedness", no payments may be made hereunder if and so long as a Senior Obligations Suspension Event has occurred and is continuing.
- (c) For the avoidance of doubt, no payments hereunder in respect of principal under the Securities shall be required prior to payment in full of any Senior Obligations which may be outstanding from time to time and which contain provisions substantially similar to the

provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to “Qualifying Subordinated Indebtedness”.

- (d) For the avoidance of doubt, (i) while any Senior Obligations are outstanding and contain provisions substantially similar to the provisions of the Existing Note and Guarantee Agreements and the Interbanca Credit Facilities relating to “Qualifying Subordinated Indebtedness” no interest shall accrue on any amounts payable hereunder in respect of remuneration on the Securities and (ii) Holders shall have no rights to accelerate any payments under the Securities or hereunder.
- (e) Nothing herein shall impede the Issuer from deferring remuneration in respect of the Securities.

9 Incorporation of Terms

The Guarantor agrees that it shall comply with and be bound by those provisions contained in the Conditions of the Securities which relate to it, which Conditions shall be incorporated into and be deemed to be part of this Guarantee.

10 Termination

Condition 3.2 contains provisions pursuant to which, provided the requirements set out therein are satisfied, the Guarantor may, to the fullest extent permitted by law, be discharged from its obligations hereunder. If such provisions are satisfied in respect of the Guarantor, the obligations and liabilities of the Guarantor under this Guarantee shall be deemed to be fully discharged and this Guarantee shall be deemed to be terminated and of no further force and effect (but without prejudice to any amounts due under this Guarantee prior to its termination). [applicable only where the Guarantor is not Mossi & Ghisolfi International S.A.]

11 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term of this Guarantee under the Contracts (Rights of Third Parties) Act 1999.

12 Governing Law

This Guarantee is governed by, and shall be construed in accordance with, English law.

13 Jurisdiction, Appropriate forum etc.

- (a) The Guarantor agrees for the benefit of the Holders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings (“Proceedings”), and to settle any dispute or difference arising out of or in connection with this Agreement, including any question as to its existence, validity or termination (a “Dispute”), which may arise out of or in connection with this Guarantee and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- (b) 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.
- (c) The Guarantor agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited. If any such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor undertakes that it will, on the written demand of Deutsche Bank AG, London Branch (the “Fiscal Agent”) addressed and delivered to the Guarantor

appoint a further person in England to accept service of process on its behalf. Nothing in this clause 13(c) shall affect the right of the Holders to serve process in any other manner permitted by law.

- (d) The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Holders 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.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

IN WITNESS whereof this Deed of Guarantee has been manually executed as a deed poll on behalf of the [GUARANTOR]

Executed as a deed
by [GUARANTOR]
and signed and
delivered as a deed on its
behalf by
in the presence of

}

Witness's
Signature:

Name:

Address:

Dated:

USE OF PROCEEDS

The net proceeds of the issue of the Securities (after deduction of the combined management, underwriting and selling commissions and costs and expenses) will be used by the Issuer (i) to finance the acquisition, directly or indirectly, of the PET production facility in Suape, Brazil, currently owned by a sister company of the Parent Guarantor, and (ii) for general corporate purposes.

CAPITALISATION

The following table sets out the unaudited consolidated capitalisation of the Parent Guarantor as of 30 September 2006:

	As of 30 September 2006
Cash and cash equivalents	136,758,947
Short-term debt	83,939,761
Long-term debt	211,209,405
Total debt	295,149,166
Shareholders' equity	215,767,838
Total capitalisation	510,917,004

MOSSI & GHISOLFI GROUP

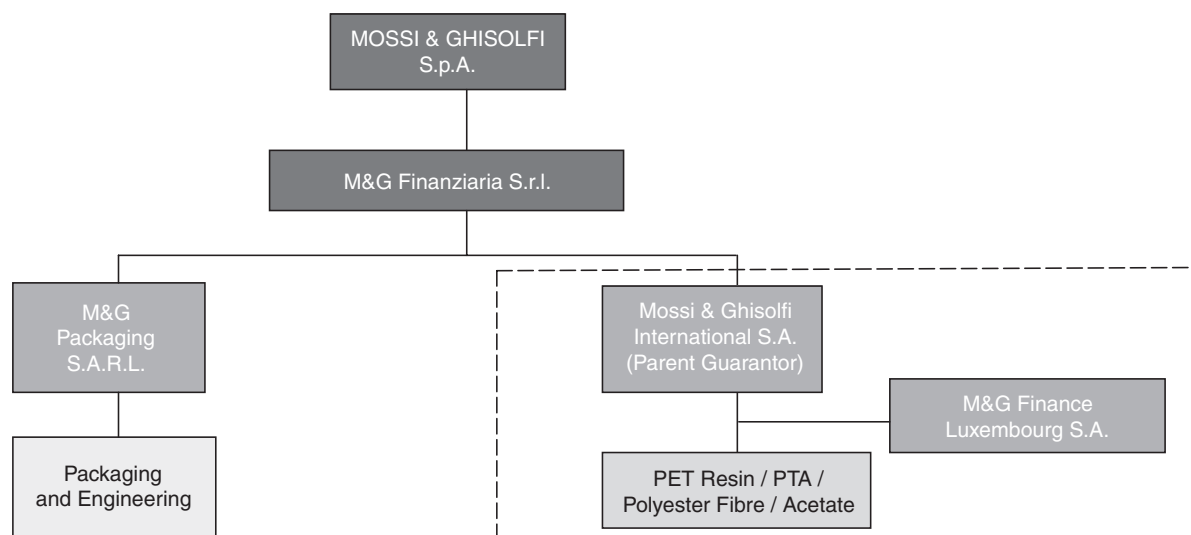
Structure and Business Overview of the Group

The Mossi & Ghisolfi Group (the “Group”) is a privately-owned group of companies, comprising Mossi & Ghisolfi S.p.A., a holding company incorporated in Italy and owned by the Ghisolfi family, together with its direct and indirect subsidiaries.

The Group’s activities are conducted through M&G Finanziaria S.r.l. (“M&G Finanziaria”), an operating holding company incorporated in Italy, and its two operating sub-holdings:

- M&G Packaging S.A.R.L., a company incorporated in Luxembourg (together with its subsidiaries, “M&G Packaging”), and
- Mossi & Ghisolfi International S.A. (the “Parent Guarantor”), a company incorporated in Luxembourg (together with its subsidiaries, “M&G International” or the “Company”).

M&G Finance Luxembourg S.A. (the “Issuer”), a wholly-owned subsidiary of the Parent Guarantor, is a special purpose vehicle created for the issue of the Securities, as further described in “General Information”. The division of the Group’s operations between its two sub-holdings, M&G Packaging and M&G International, is shown in the chart below:



M&G International represented more than 80 per cent. of the Group’s business in terms of consolidated revenue in 2005. Its core activity is the production of polyethylene terephthalate resin (“PET” or “PET Resin”) used in the manufacture of plastic containers for liquid, food and beverages (including, among others, soft drinks, bottled water, fruit juices, other drinks, edible oil and sauces). PET Resin is produced in two phases: (i) the melt polycondensation phase (Melt) which represents approximately 80 per cent. to 90 per cent. of a PET Resin plant’s capital cost and in which the two key raw materials, purified terephthalic acid (“PTA”) and ethylene glycol (“EG” or “MEG”), are transformed into amorphous resin (a polymer) which, at this stage, is only suitable to produce polyester fibre chips (“Polyester Fiber”) for textile use and (ii) the solid stating (“SSP”), which represents approximately 10 per cent. to 20 per cent. of a PET Resin plant’s capital cost and in which the intrinsic viscosity of the amorphous resin is raised so that the polymer becomes suitable for plastic uses.

In addition to PET Resin, which represents approximately 85 per cent. to 90 per cent. of M&G International’s revenues, the Company is also active in the production and sale of: (i) PTA; (ii) Polyester Fibre (for use in textiles); and (iii) cellulose acetate (for use in textiles and in a diverse number of specialty plastic applications including liquid crystal displays, photographic film, adhesive tapes and tool handles). The PTA and Polyester Fibre operations are both based only in

Brazil, while the cellulose acetate (“Acetate”) production is located in Northern Italy and operated by M&G International’s wholly-owned subsidiary Acetati S.p.A. (“Acetati”).

M&G Packaging’s contribution to the Group’s total consolidated revenue is relatively limited, representing less than 20 per cent. of 2005 consolidated Group revenues. M&G Packaging is active in (i) PET rigid and flexible packaging and (ii) engineering. PET packaging activities consist of the processing (conversion) of PET Resin to produce rigid packaging such as finished bottles and semi-finished bottles called “pre-forms” and flexible packaging such as film. M&G Packaging’s PET packaging activities are all based in Italy. The rigid packaging business is operated through M&G Packaging’s wholly-owned subsidiary Cobarr S.p.A. (“Cobarr”) and through Italtel Preforme S.p.A. (“Italtel”) in which the Group holds a 62.5 per cent. participation. The flexible packaging business is concentrated in M&G Packaging’s majority-owned (56 per cent.) subsidiary Nuroll S.p.A. The engineering activities consist of engineering, design procurement and construction management services for polyester, LNG, bio-ethanol and bio-diesel plants. The engineering business is operated through M&G Packaging’s wholly-owned subsidiary Chemtex International Inc. (“Chemtex”), which has offices and conducts operations in Italy, the United States, India and China.

History of the Group

The Group was founded in 1953 by the current chairman Mr. Vittorio Ghisolfi and is currently fully-owned by the Ghisolfi family through Mossi & Ghisolfi S.p.A., the family holding company. The Group underwent a three-phase evolution process that shaped its current corporate profile and strategic direction, as described below:

Phase I: 1953-1983

In the first 30 years of its history, the Group focused its activities on the production of bottles for food and detergents using high density polyethylene (HDPE) and PVC. It developed and operated a full range of downstream activities, including blowing machine design and construction and bottle making and filling. In this phase, the Group developed its capabilities in the conversion of polymers into plastic containers (particularly bottles) as well as in servicing large international brand-owners such as Procter & Gamble, Unilever, Danone and Nestlé.

Phase II: 1983-1999

In the early 1980s, the Group, capitalising on 30 years of experience in plastic conversion technology and on its understanding of brand-owners’ requirements, foresaw the unique technical suitability of a then emerging new polymer, PET, for plastic packaging uses. It consequently took the decision to move into this business (first in Europe), anticipating that PET would replace glass and PVC as the bottle material of choice in both the CSD (Carbonated Soft Drink) and bottled water markets. Moreover, towards the end of the 1980s, the Group also began shifting the focus of its internal engineering arm, Sinco Engineering S.p.A. (“Sinco”), from conversion technology (design and construction of injection and blowing machinery) into polymer-making technology and specifically SSP technology. The focus was now on adapting the chemistry and process technology of these polymers to serve plastic application needs rather than fibre. In this phase, the Group developed two important joint ventures:

- In 1992, the Group was chosen by Shell as a technology partner to enter the PET industry and built the first large scale (60 kmt/y (kilo metric tonnes per year) of production capacity) PET plant in Italy (“Sipet”). The Group acquired a minority participation of 15 per cent. in the joint venture, which was then re-sold to Shell in 1999.
- In 1997, the Group built Italtel, the then-largest single stream PET plant in the world with over 100kmt/y of production capacity fully integrated into “pre-forms” production to service PepsiCo’s PET bottle requirements in Europe. The Group originally participated in Italtel with a 25 per cent. minority share. The other 75 per cent. of Italtel was (and still is) owned by a Dutch holding, MT Interpet Amsterdam B.V. (“Interpet”) which, at the time, was owned

through equal participations by the Japanese conglomerate Marubeni Corporation and Catisa, a Swiss-Indian financial investor.

Largely as a consequence of the experience acquired through these joint-ventures, Sinco's proficiency in PET-making technology continued to develop and by the mid-1990s Sinco became the world's leading merchant engineering firm in PET SSP processes, installing between 1994 and 1998 over 1.5 million tonnes worldwide which corresponded to approximately 30 per cent. of the global installed SSP PET capacity.

Phase III: 2000-today

Group Re-organisation: Up to the end of 1999, M&G had essentially focused on packaging rather than chemical applications such as polymer making. In Phase II of its development history the Group had started to prepare its entry into PET polymer, but its participation in this field was still limited to minority stakes in Sipet and Italtet (which focused mainly on producing "pre-forms", though integrated in PET Resin manufacturing) and to Sinco's engineering activities which were solely focused on SSP, a very important component of a PET plant, but representing no more than 10-20 per cent. of a PET plant capital cost. In 2000, the Group began its global investments in PET Resin and a new expansion phase, resulting in the Group becoming the largest PET Resin producer in the world in 2007 (source: SBA-CCI). The Ghisolfi family also decided to separate the management and the legal structure of these new global PET investments from those of its historical activities in packaging and engineering. The existing structure with two operating sub-holdings was first adopted in year 2000 with Mossi & Ghisolfi International S.A. (at the time, Mossi & Ghisolfi Overseas S.A.) holding the new global PET Resin investments and M&G Packaging S.A.R.L. (at the time, M&G Europe S.A.) holding the historical packaging and engineering activities. Several reasons supported such re-organisation. Firstly, the historical activities were mostly confined to Europe as opposed to the global nature of the new investments. Secondly, because the new global PET investments were expected, to some extent (though not exclusively), to become both *suppliers* of the historical packaging activities and *customers* of the Group engineering company, the Ghisolfi family felt it was important to signal to the industry that the historical businesses were going to be managed in an independent and on an arm's length basis. Finally the first step of the Group's new PET global investment (the purchase of Shell's PET Resin assets) was funded via acquisition financing led by Bank of America which specifically required the new activities to be placed in a new holding company (Mossi & Ghisolfi Overseas S.A., which later merged into Mossi & Ghisolfi International S.A.) fully ring-fenced from the rest of the Group. For all of the above reasons, since the very beginning, transactions between the subsidiaries of the two operating sub-holdings have been and continue to be conducted on a strict arm's length basis.

M&G Packaging Recent Developments: Between 2000 and 2006, the Group undertook important actions aimed at restructuring and improving the profitability of its historical activities which had been ring-fenced inside M&G Packaging in June 2000. The engineering business was significantly expanded and diversified via the divestment of Sinco in 1999 and the acquisition of Chemtex in 2004. These merger and acquisition activities resulted in a net expansion of M&G Packaging's engineering business: while Sinco exclusively focused on in SSP technology, Chemtex is a much larger engineering company with a wider portfolio of technologies including not only polyester Melt (providing the opportunity to sell Polyester Fiber plants to Asia which is the largest and fastest growing Polyester Fibre world producer), but also LNG, bio-ethanol and bio-diesel. In the same period, M&G Packaging also significantly restructured its *packaging* business. At the end of 2004 the Group acquired from Marubeni Corporation its 50 per cent. share in Interpet, the 75 per cent. majority shareholder of Italtet. The acquired participation, added to the 25 per cent. share directly held in Italtet by Cobarr, gave the Group an indirect majority participation (62.5 per cent.) in Italtet. In November 2006, M&G Packaging announced that it had given a mandate to investment bank Rothschild to find a financial partner for its rigid packaging activities which currently comprise the businesses of Cobarr and Italtet. M&G Packaging is currently in the final stage of negotiation with private equity investors who expressed interest and provided binding offers to purchase a majority share of M&G Packaging's rigid packaging business. Finally, in 2006 M&G Packaging completed

the construction of a new PET Resin production facility in Suape (Brazil) and will transfer these assets to M&G International at book value as soon as the new plant is fully operational.

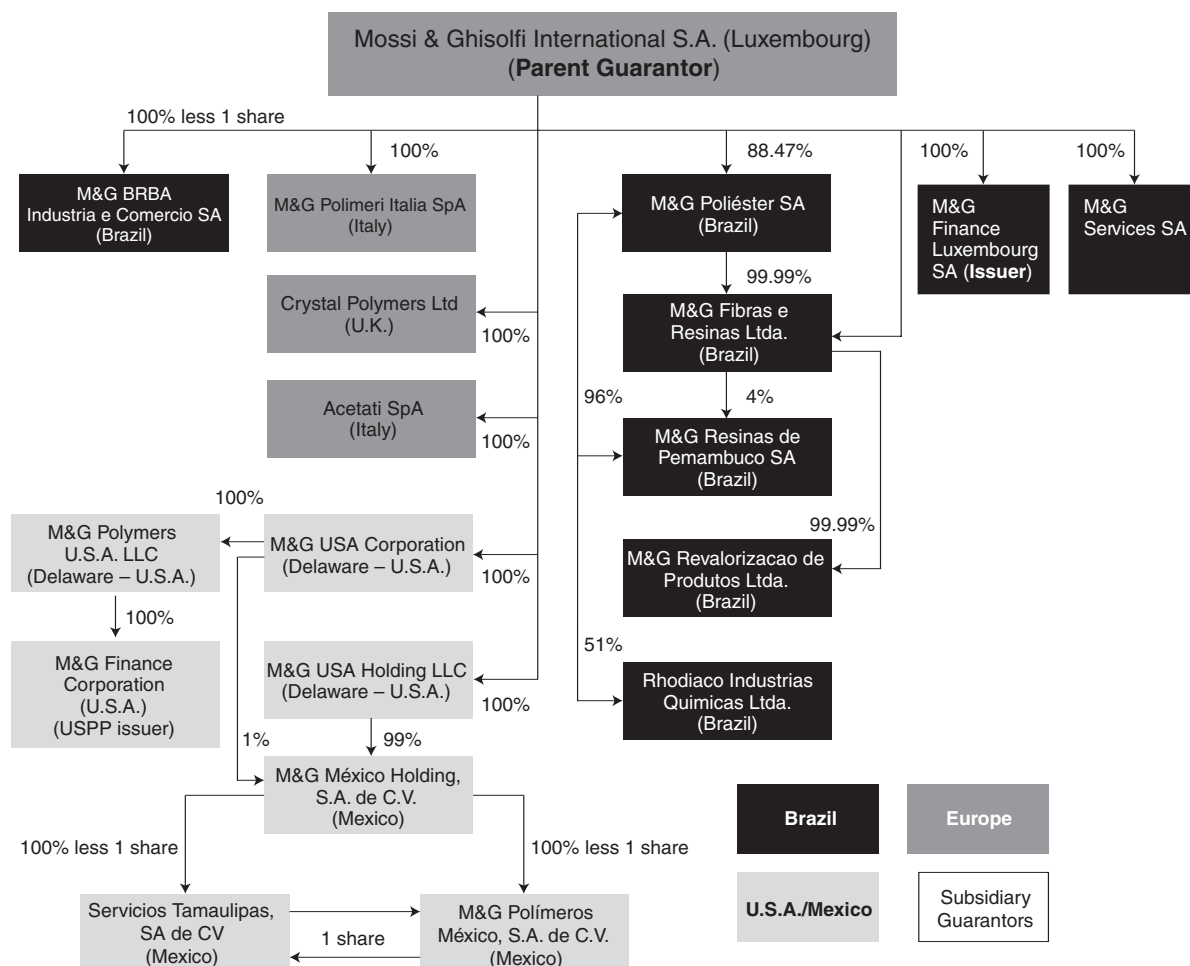
M&G International History and Recent Developments: M&G International grew into the world's second largest PET Resin producer in 2006 via a combination of acquisitions and organic growth (source: SBA-CCI). The opportunity to grow via inexpensive acquisitions arose from the decision made by large multinationals such as Shell and Rhodia to exit from the PET sector, choosing to concentrate on their respective core businesses. In June 2000 M&G International acquired all of Shell's PET assets which comprised manufacturing plants in Italy, Mexico, the United States and the United Kingdom, as well as research and development facilities in the United States. In October 2002 M&G International acquired the Brazil assets of Rhodia-ster S.A (now called M&G Poliéster S.A.) adding to M&G's asset portfolio not only PET and Polyester Fibre production capacity, but also a PTA joint-venture ("RhodiaCo") which is owned 51 per cent. by M&G Poliéster SA and 49 per cent. by Térefalicos Indústria E Participações Ltda, formerly called Amoco do Brasil (which, in turn, at the time of the acquisition was wholly-owned by BP Chemicals). In both cases the assets were acquired for approximately 50 per cent. of the industry average replacement cost (the investment needed to put on stream the same amount of capacity if built on a green-field basis). The organic growth, also fuelled by the Group's superior engineering support, further consolidated M&G International's low capital cost/large scale economies approach which is one of its main competitive advantages. In 2003, M&G implemented a brown-field investment at its Altamira, Mexico site, which was one of the sites acquired from Shell, bringing on stream the then-largest PET plant in the world with a PET capacity of 400 kmt/year for less than 50 per cent. of industry average replacement cost, due in part to the capital savings made possible by the existing site infrastructure built by Shell. In the first quarter of 2007 M&G International expects to add a new PET production facility in Suape, Brazil ("Suape") as well as the remaining 49 per cent. (owned by Amoco do Brasil) of its Brazilian PTA subsidiary RhodiaCo to its asset portfolio. The Suape plant has a nominal capacity of 450kmt/y (further expandable to 600kmt/y) and constitutes the largest PET Resin plant in the world. The new facility was completed by M&G Packaging (which currently still owns the new plant assets) at the end 2006 and will be transferred at book value to M&G International at the date of the commercial start up, which is scheduled for the end of the first quarter of 2007]. As a result, M&G International will become the leading PET Resin producer in the world and will own the two single largest and newest production facilities (Altamira, Mexico and Suape, Brazil) in the PET industry worldwide (source: SBA-CCI). The 49 per cent. participation in RhodiaCo was also brought within the Group in 2006 when M&G Finanziaria purchased from BP Chemicals Amoco do Brasil (now called Térefalicos Indústria E Participações Ltda) (which owns 49 per cent. of RhodiaCo); Térefalicos Indústria E Participações Ltda will be transferred at book value to M&G International by the end of the first quarter of 2007. M&G International will use the proceeds hereof for the acquisition of the Suape plant and of Amoco do Brasil and to finance the other investments described further below.

M&G International has recently undertaken significant steps towards the re-organization of its Acetate business which is experiencing a demand resurgence due the recent widespread adoption of this material in liquid crystal display applications by companies such as Konica, Fuji and Kodak. As a result of this new growing application Chemtex (the Group engineering company) is finalising agreements with Asian investors who intend to construct large Acetate plants in Asia. At the end of 2006 M&G International's subsidiary Acetati sold to Chemtex its Acetate technology rights to allow Chemtex to finalise the abovementioned plant construction agreements. As of today Acetati continues to own and operate its plant in Northern Italy. However, it has recently entered into an option agreement that gives it the right to sell its plant to an Italian private investor before 31 March 2007.

M&G INTERNATIONAL

Structure and Business Overview of the Company

M&G International is currently the second largest producer of PET Resin for packaging applications in the world, but, following the acquisition of the Suape plant from M&G Packaging, it is expected to become the leading world supplier in terms of annual PET Resin capacity (source: SBA-CCI). The company operates through a number of direct and indirect subsidiaries. The diagram below shows the direct and indirect subsidiaries of the Company:



M&G México Holding S.A. de C.V., M&G Polimeri Italia S.p.A. and M&G Polymers U.S.A. LLC are the three Subsidiary Guarantors. M&G México Holding, S.A. de C.V. holds the participation in Servicios Tamaulipas, S.A. de C.V. and M&G Polímeros México S.A. de C.V. which contain the employees and the PET assets of the PET Resin plant located in Altamira, Mexico, respectively. M&G Polimeri Italia S.p.A. owns the PET Resin plant in Patrica, Italy and conducts M&G International PET Resin operations in Europe. M&G Polymers USA, LLC, owns the PET Resin plant in Apple Grove, West Virginia and the research and development ("R&D") centre in Akron, Ohio.

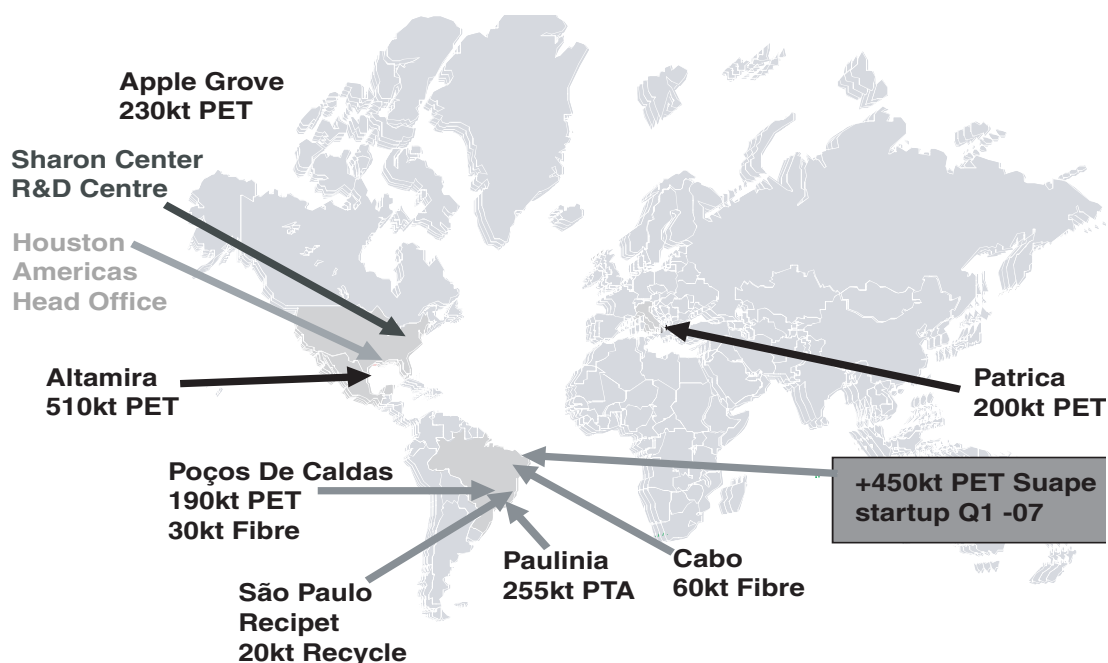
M&G Finance Corporation is a special purpose vehicle created in connection with the issue of the US private placement ("USPP") securities. The other main subsidiaries include M&G Poliéster SA, M&G Fibras e Resinas Ltda and RhodiaCo Industrias Quimicas Ltda. M&G Poliéster SA is a Brazilian holding listed on the Brazilian stock exchange. M&G Fibras e Resinas Ltda is the main operating company in Brazil which owns the Brazilian PET Resin and Polyester Fibre plants of Pocos and of Cabo. RhodiaCo Industrias Quimicas Ltda. is the PTA joint-venture with Tereftálicos Indústria E Participações Ltda, originally owned by BP which was purchased in 2006 by M&G Finanziaria S.r.l. and will be transferred to M&G International in the first quarter of 2007.

The table below indicates the Company's revenue and EBITDA contributions by geographic region for the years ended 31 December 2004, 2005 and 2006:

	<i>Revenue for the year ended 31 December (in € millions)</i>			<i>EBITDA for the year ended 31 December (in € millions)</i>		
	2004	2005	2006 (est.)	2004	2005	2006 (est.)
US & Mexico	834	1,088	1,060	48	111	66
Brazil	329	348	341	63	50	26
Europe	339	621	343	3	2	16
Consolidation entries	(148)	(475)	(262)	3	(2)	3
Total	1,355	1,583	1,482	117	161	111

The information presented in the remaining part of this Prospectus will relate principally to the Company's PET Resin operations, which accounted for approximately 85-90 per cent. of M&G International's revenues and EBITDA in the period 2004-2006. The remaining activities - PTA, Polyester Fibre and Acetate - accounted for less than 15 per cent. of the Company's business in the same period and will not be described in detail. Further, PET Resin assets owned by Group subsidiaries outside M&G International (such as Italtet) will not be included in the description below, with the exception of the new Suape PET plant currently owned by M&G Packaging which will be purchased by M&G International before the end of the first quarter of 2007 using the proceeds hereof.

M&G International production facilities are located in Europe, the United States, Mexico and Brazil. As of 30 September 2006, M&G had total PET Resin production capacity of 1,130 kmt/y (kilo metric tonnes per year) and employed approximately 1,600 personnel.



With the transfer of the Suape plant and the NAFTA debottlenecking, M&G International's production capacity will increase to 1,680kmt/yr and will include the two largest production lines (Altamira, Mexico and Suape, Brazil) in the industry (in terms of annual capacity) (source: SBA-CCI).

The Company's Competitive Advantages

M&G International benefits from a number of competitive advantages, the most important of which consist of:

Leading market positions

In 2006 the Company was the second largest producer of PET Resin for packaging applications world-wide in terms of production capacity, with leading positions in the world's principal end user demand markets (source: SBA-CCI). With the new Suape, Brazil facility, and the anticipated debottleneck (i.e. the capacity expansion achievable, as most of the plant had originally been sized to produce a higher output, by substituting/expanding those few critical parts of the equipment which are constraining the line at a lower output rate) of its North American capacity (described in more detail below), M&G International's global production capacity is expected to increase by 550kmt/year, and the Company will become the largest PET Resin producer (for packaging applications) in the world displacing Eastman Chemical Company from the leading position according to World PET ranking published by independent market consultant SBA-CCI. Notwithstanding the existence of approximately 70 individual PET producers worldwide, only four are global producers with manufacturing capabilities located close to the attractive primary consumer markets of the United States and Europe.

Stable and growing end-user demand

The PET industry for packaging products is characterised by a stable and growing demand, mainly driven by substitution from alternative products such as glass and aluminium. PET has proved a very popular packaging material because of its attractive characteristics (unbreakable, transparent, superior resistance and strength, barrier properties, ability to perform at extreme temperatures and recyclability). During the last decade, demand increased on average by 14.5 per cent. per year (irrespective of economic cycles in the various regions) and is forecast to continue to increase by approximately 10 per cent. per year in the next ten-year period (2006 to 2015) (source: SBA-CCI). New potential applications, including beer, fruit juices, and milk, are being pursued and could significantly drive consumer demand going forward.

Scale Economies resulting in lowest capital expenditure and fixed costs per tonne of output

M&G International leverages its internal engineering know-how at its R&D centre in Akron, Ohio and at its individual sites which, together with the support of the Group's engineering arm Chemtex, has allowed the Company to build the largest and most efficient PET plants in the industry and to revamp and modernise production lines in its older assets which have been acquired from Shell and Rhodia for 50 per cent. of the replacement cost. M&G International's Altamira site in Mexico includes the largest and newest production line in the PET industry to date with a capacity of 400kmt/y compared to the industry installed base plant size which averages approximately 150kmt/y. In the first quarter of 2007 the Company will add to its asset portfolio its new facility in Suape, Brazil with a nominal capacity of 450kmt/y (further expandable to 600kmt/y). As a result, M&G International's capital expenditure and production fixed cost per tonne are significantly lower than those of its competitors.

Advantaged raw material and logistic costs

Due to its size and growth, M&G International benefits from increased bargaining power on the key raw materials used for the production of PET Resin (PTA and EG). M&G International has more than 70 per cent. of its North American capacity co-sited in Mexico with Petrocel's PTA production resulting in zero freight cost. The Suape plant is located close to the port of Suape, allowing it to receive PTA from Mexico and Asia at approximately half the industry freight cost average.

Strong customer base

M&G International has a strong customer base and has been successful in securing a significant portion of its sales with medium-term contracts, either through converters or directly with large brand-owners. Volume commitment and growth enable the Company to fully load the largest plants in the industry. In turn, its average capacity loading which was above 90 per cent. in the period from 2002 to 2006, allows the Company to minimise fixed costs and capital expenditures per metric ton of capacity installed. The majority of M&G International's 2006 sales were to contract customers. Contracts have a typical maturity of three to five years. Among the Company's 2006 contract customers are subsidiaries of "blue-chip" companies such as Coca-Cola Enterprises Inc., Amcor Limited, InBev NV and Konica Minolta Holdings Inc. M&G International's ability to secure medium and long term preference and commitment from key customers is confirmed by the fact that the Company has recently renewed most contracts in its portfolio and entered into new contracts. As a result, in the period from 2007 to 2009 the majority of its sales will also be made to contract customers. The Company's ability to secure the majority of its large plants' loading with medium-term contracts is unique in the industry and reflects customers' recognition of M&G International's low cost structure, superior product quality, and technology leadership.

Product innovation

Given the Group's experience accumulated in over 30 years of plastic processing, M&G International has an in-depth understanding of applications for plastic polymers as well as long-established relationships with end users. This is a significant advantage compared to competitors, which are either large fibre-grade producers who diversified into plastic polymers or large petrochemical companies who have undertaken plastic polymer production in search of synergies with their raw materials by-products. The Company makes significant commitment to research and development of new products. This has historically allowed M&G to make early entries in new PET applications (such as water which requires a special resin with low acetaldehyde content and fruit juices and sauces which need to be hot-filled and require a special heat-resistant PET Resin), and has contributed to the high growth of the PET market. More recently, M&G has been a pioneer in the field of barrier monolayer PET packaging suitable for packaging of beverages, such as beer, highly carbonated drinks and oxygen sensitive beverages and liquid food, where the inclusion of barriers to oxygen and/or carbon dioxide is required. The Company and the Group have developed a strong patent structure comprising approximately 1,000 patents to protect its PET Resin technology. Some patents are directly owned by M&G International, while others are owned by other Group affiliates and made available to the Company through exclusive arrangements.

Experienced management team and stable family ownership

The Group has been investing in PET production since the market developed in the 1980s. As a family-owned company with a long-term investment horizon, it has continued to reinvest in the field of PET Resin production, resulting in the Company's leading production asset base and technological know-how. M&G International's PET business is led by Marco Ghisolfi who is one of the shareholders and who has been with the Company for 15 years. His senior management team is composed of highly experienced managers with long-standing leadership experience gained in leading multinational chemical companies such as Shell and Rhodia.

Company Strategy and Business Plan

M&G International's strategy is to continue to leverage its competitive advantages and unique business model (large scale economies, high plant loadings, sales contract protection, advantaged raw material procurement) to sustain strong EBITDA and cash flow generation throughout the industry cycles. Its 2007-2009 business plan includes the following actions, the majority of which began being implemented during the course of 2006:

Capacity Expansion

In the first quarter of 2007, M&G International intends to significantly increase its PET Resin capacity by adding to its asset portfolio the largest PET plant in the world, located in Suape, Brazil. The new plant construction was completed and is currently owned by M&G Packaging at the end of 2006 and will be transferred at book value to M&G International at the date of the commercial start up which is scheduled to occur by the end of the first quarter of 2007. The plant has a nominal capacity of 450kmt/y, expandable to 600kmt/y. This investment is designed to take advantage of the rapidly increasing demand for PET packaging in the Brazilian market, where per capita consumption of PET is still well below US and European averages as other packaging materials (i.e. glass for bottled water) are still extensively used in Brazil and have only recently begun to be substituted by PET. M&G International also expects to expand its North American capacity by an additional 100kmt/y by mid 2008, to meet additional contract volume opportunities.

Additional sales contracts and raw material contracts enhancement

M&G International has recently renewed the majority of its sales contracts expiring at the end of 2006 and has entered into a number of new contracts with customers with a typical duration of three to five years. With such contract coverage in place, the Company expects to be able to continue to cover the majority of its total capacity, including expansions in Brazil and the NAFTA area, through customer contracts. The increased PTA and EG supply needs as a result of M&G International's planned capacity expansions have also allowed the Company to enter into new and more favourable contracts or enhance terms and conditions of existing contracts with PTA and MEG suppliers.

Fixed cost reduction

In 2006, M&G International launched a fixed-cost reduction programme in its North American and European operations, which is expected to result in a reduction of fixed costs for those operations of approximately €7.5 million in 2007. The Company plans to implement its North American and Brazilian capacity expansions at no or marginal incremental fixed costs, which, coupled with the abovementioned fixed cost reduction programmes, will consolidate M&G International's advantage in the Western world in terms of fixed costs per metric tonne of production.

PET Resin Market Overview

ICI and Dupont initially commercialised PET Resin in the 1960s for the production of textile fibre and tyre reinforcement applications, applications that are still used today. In the early 1980s, Dupont discovered how to make PET Resin suitable for manufacturing plastic bottles with improved commercial characteristics and better environmental acceptance than other plastics. PET Resin was approved as a food-grade packaging product by the US Food and Drug Administration (FDA) shortly thereafter.

The growth profile for PET Resin demand is highly unusual for a commodity. PET Resin has proved to be a very popular material and its technical advantages have resulted in high demand growth. During the last decade, irrespective of the economic cycles in the various regions, demand increased on average by 14.5 per cent. per year (source: SBA-CCI), and the independent market consultant SBA-CCI, in its Polyester Value Chain Market Review presentation of December 2006, forecasts that such demand will continue to grow well above GDP rates (at between 8.5-10 per cent. per year) at least until 2010.

The cyclicity of the industry therefore is not demand driven as demand has been consistently fast growing and is not cyclical, but linked to (i) PET Resin plant construction time and (ii) limited barriers to entry in the commodity segment (CSD) of the market. A PET Resin plant has a time of technical completion of approximately 2 years and considering the time typically necessary for companies' internal investment approval it is not unusual that 3 years elapse from the time of the investment decision to the time in which a new PET Resin plant is put on-stream commercially. This

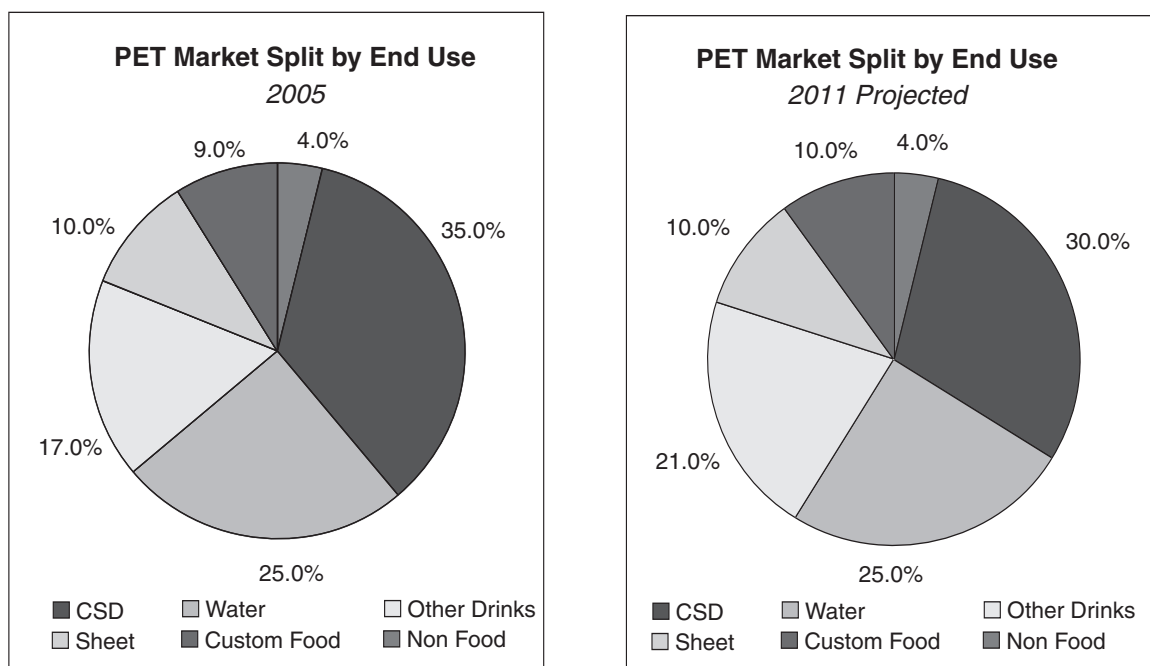
is a relatively long time for new capacities to be added, particularly considering the fast growth rates of PET Resin demand. As a result, the industry periodically falls into a supply shortage position while waiting for the new investments to come on-stream. In these “up-cycles” (typically lasting 2-3 years each), capacity utilisation is driven above 90 per cent. and profit margins reach their peak. However, all industry participants make their re-investment decisions at such time and new participants, attracted by the high industry profitability and favoured by availability of off-the-shelf PET Resin technologies and limited barriers to entry into the commodity segment of the market, make their entrance. This typically results in over-building, with industry capacity utilisation rates driven below 80 per cent. and profit margins reaching their low points. These “down-cycle” periods generally only last 2-3 years since overcapacity in PET Resin, unlike other commodity sectors, is never structural due to the fast growing demand profile, new plants are eventually fully loaded with new demand and another “up-cycle” eventually starts. These cycles are known in the industry as “overbuilding cycles”.

After the 2004-2005 up-cycle, the PET Resin market is now on the verge of a period of oversupply due to several new plants coming on-stream in 2007. The new capacity is likely to contribute to the expected down-cycle in PET prices and may result in a number of small, inefficient plants being shut down globally. However, according to the SBA-CCI Polyester Value Chain Market Review presentation of December 2006, PET Resin demand will approach supply in the next two or three years, resulting in a new reinvestment cycle for capacity additions from 2009.

Due to the “overbuilding cycles” that can drive profit margins in the commodity segments of the market to very low levels, the two main critical factors for success in PET Resin are (i) low cost structure (which allows companies to continue to be profitable during down-cycles) and (ii) production innovation (which allow companies to reduce exposure to the more over-supplied and lowest margin commodity segments of the market). Scale economies is the primary method of achieving cost leadership in the PET industry. Larger and newer plants are more efficient than smaller and older facilities because they reduce the marginal production cost per tonne. Larger plants also result in larger single orders to suppliers and associated higher discounts. Finally, with the appropriate technology, larger plants can be built at a lower average cost per tonne of capacity, which reduces their pay-back period. Typically neither low cost structure nor production innovation can be achieved with available off-the-shelf technology, which therefore allows profitable operations only during up-cycles.

End uses

The charts below indicate historic and forecast data for PET applications:



Source: SBA-CCI

PET Resin has certain characteristics which makes it particularly suitable for packaging applications:

- Glass-like clarity
- Ability to be resealed (unlike cans)
- Superior resistance and strength
- Barrier properties (the ability not to react with chemicals contained in the packaged goods)
- Performance at a range of hot and cold temperatures
- Environmentally friendly (recyclable)

The above general properties of the standard PET Resin chemical formulation have been progressively enhanced by PET producers who have developed several more specific formulations ("Grades") suitable for the following applications:

Carbonated Soft Drinks (CSD): In the past, CSD has been the key driver of PET Resin growth, mainly in the 1.5-2l formats where it replaced glass, although this is now a relatively mature market. However, significant growth in demand is expected in the 0.5l/33cl CSD package size, where technical innovations such as improving shapes, recyclability, barrier properties and resealability have allowed PET Resin to become a competitor of aluminium cans. This is the more commodity-like segment of the market, as the standard PET resin formulation is suitable for this application ("CSD Grade").

Bottled water: The increasing popularity of bottled water, combined with the switch to PET packaging from PVC and glass, is also a major PET growth driver. In Western Europe, the largest market for bottled water, PET already accounts for over 90 per cent. of the market share of bottled water (glass is mainly used for restaurants). The US bottled water market still offers significant potential for PET demand growth. Elsewhere in the world, the bottled water market is expected to

continue to grow rapidly, as a result of improvements in living standards and concerns over quality of tap water, while in Asia, ready to drink cold tea is a popular beverage which may result in higher PET demand. The PET Resin formulation required for this application is different from that of the CSD Grade, in that PET Resin suitable for water must contain a lower level of acetaldehyde ("Water Grade"). Most Western PET Resin producers and a minority of Asian suppliers have the technology to produce this grade.

Other applications: Other applications include non-oxygen sensitive fruit juices, ready-to-drink tea, ketchup and fresh milk. PET Resin has currently been adopted in these applications only in the more sophisticated markets of Europe and the United States and is growing in these countries much faster than the industry average. PET bottles for most of the above beverages and liquid food are hot-filled and require a special PET Resin formulation ("Heat-set Grade") which only few Western suppliers are able to produce.

New applications: New potential applications include beer, oxygen sensitive fruit juices, highly carbonated drinks and long conservation milk. These beverages and liquid food had been traditionally packaged with cardboard cartons (which are multilayer containers made of carton, polyethylene and aluminium), glass and cans because, unlike standard PET, aluminium and glass offer the necessary barrier to oxygen and to carbon dioxide to ensure the required shelf-life of the containers. However consumers have expressed a preference for the lightness, transparency and resealability of PET Resin even for these applications and the PET Resin industry has been engaged in a race to develop a PET Resin grade ("Barrier Grade") suitable for these applications which have the potential to double world industry demand. Suppliers of PET injection machines (i.e. the machines used to convert PET Resin in "pre-forms") have developed "multilayer" and "coating" machines by which a layer made of a different material which offers the required barrier can be added onto the walls of the PET "pre-forms" or PET "bottles". However these machines are expensive and cumbersome to use and the resulting bottles are often subject to de-lamination (i.e. the barrier layer comes off the bottle walls). Some producers have tried to commercialise simple blends of PET Resin and nylon (a barrier material), but success has been limited as the resulting bottles are significantly hazy. The only proven monolayer barrier resin which has been successfully commercialised in the beer market is M&G International's ACTITUF Barrier Grade.

Market participants

PET supply tends to be geographically segmented as freight costs and duties limit the profitability of accessing markets remote from production sites. Leading market participants are as follows:

European Union			North America			South America		
Company	2007 ⁽¹⁾ (kmt/y)	Market Share	Company	2007 ⁽¹⁾ (kmt/y)	Market Share	Company	2007 ⁽¹⁾ (kmt/y)	Market Share
La Seda	860	26%	Eastman	1,090	25%	M&G International	640	73%
						M&G Packaging ⁽²⁾	0	0%
						M&G GROUP	640	73%
Equipolymers	525	16%	Invista	985	22%	Eastman	190	22%
Eastman	320	10%	M&G International	840	19%	Braskem	20	2%
M&G International	200	6%	Wellman	660	15%			
M&G Packaging	115	3.5%						
M&G GROUP	315	9.5%						
Neo Group	310	9%	DAK America	425	10%			
Invista	310	9%	Indorama	250	6%			
Indorama	200	6%						
Total top producers	2,840			4,250			850	
Total Region	3,275			4,385			875	

Source: SBA-CCI "World PET" February 2007

(1) Installed capacity expected at 31 December 2007

(2) Suape will be purchased by M&G International from M&G Packaging in the first quarter of 2007

(3) Market shares calculated on total region basis

As is evident from the above table only Eastman and M&G International are present in all three regions (Europe, North America and South America). The only other companies with presence in more than one region are Invista and Indorama which are however not present in South America. All other market participants are regional players. In addition to the companies listed in the table, several Asia-based companies import PET Resin into all Western regions. However, Asian producers typically compete only in the commodity segments of the market (mainly in CSD and partially in Water) as they do not have the technology to compete in other segments. The following table represents the most recent ranking update from SBA-CCI:

<i>Ranking⁽¹⁾</i>	<i>Producer</i>	<i>Country</i>	<i>2006</i>	<i>2007</i>	<i>Share %</i>
<i>(000 MT)</i>					
1.	M&G International	USA/Mexico/Brazil/Europe	1,130	1,680	9.4
2.	Eastman	USA/Mexico/Argentina/Europe	1,555	1,385	7.7
3.	Invista	USA/Mexico/Europe	1,125	1,293	7.2
4.	Far Eastern	Taiwan/China	888	950	5.3
5.	La Seda Group	Europe/Turkey	780	860	4.8
6.	Nan Ya	USA/Asia	750	755	4.2
7.	Wellman	USA (marginal presence in Europe)	674	715	4.0
8.	Jiangsu Sanfangxiang	China	500	688	3.8
9.	Indorama Group	USA/Europe/Asia	345	676	3.8
10.	Equipolymers	Germany/Italy	465	526	2.9
11.	SK Chemical/Huvis/Anwil	Indonesia/Korea/Poland	469	479	2.7
12.	DAK Americas	USA	310	423	2.4
13.	Yizheng Chem Fibre	China	400	400	2.2
14.	KP Chemicals	Korea	400	400	2.2
15.	Shinkong	Taiwan/Thailand	380	380	2.1
16.	Dragon Special Resin	China	320	320	1.8
17.	Neo Group (Retail)	Lithuania/Russia	168	310	1.7
18.	Reliance	India	300	300	1.7
19.	Tong Kook	Korea	300	300	1.7
20.	Mitsubishi Chem	Indonesia/Japan	282	282	1.6

(1) Ranking based on 2007 installed capacity.

Source: SBA-CCI "World PET" February 2007.

The above ranking illustrates M&G International's scale advantage: (i) following the purchase of the Suape, Brazil plant from M&G Packaging, M&G International will become the largest PET Resin producer in the world displacing Eastman from the leading position; (ii) only three producers in the world (including M&G International) have global installed capacity in excess of 1 million metric tonnes and (iii) the total capacity of the vast majority of the industry participants does not reach the size of either of M&G's largest PET Resin lines: Suape in Brazil with 450 kmt/y, and Altamira in Mexico with 400 kmt/y.

Company Operations and Facilities

Production facilities

M&G International manufactures the full range of PET Resin types, including CSD, Water, Heat-set and Barrier Grades, and can therefore service not only the commodity PET segments (CSD and water) but also higher value-added applications such as beer, oxygen-sensitive fruit juices, sport/wellness drinks and healthy soft drinks. The Company's operations comprise manufacturing assets in Europe, the United States, Mexico and Brazil. The table below provides details concerning M&G International production facilities (as of 30 September 2006):

<i>Facility</i>	<i>Location</i>	<i>Capacity (ktm/y)</i>	<i>Employees</i>	<i>Year Lines Built</i>
Altamira	Mexico	510 (PET)	257	1997/2003
Suape ⁽¹⁾	Brazil	450 (PET in 2007)	179 (2007)	2007
Paulinia	Brazil	255 (PTA)	129	1997
Cabo	Brazil	60 (fibre)	198	1997
Sao Paolo	Brazil	20 (recycled resin)	46	1999
Pocos de Caldas	Brazil	190 (PET)	323	1993/1997
		30 (fibre)		
Apple Grove	USA	230 (PET)	156	1996/2000
Patrica	Italy	200 (PET)	115	1992/1997
Total		1,945⁽²⁾	1,403	

(1) Only from April 2006.

(2) Of which PET: 1,130 kmt/y excluding Suape plant and 1,680 kmt/y including the Suape plant and debottleneck in the Nafta area.

After the Suape plant comes on stream in the first quarter of 2007 and the NAFTA debottleneck is completed, M&G International will have a PET Resin production capacity of 1,680 kmt/yr and it will become the largest PET Resin producer in the world (source: SBA-CCI), owning the two single largest production lines in the industry in Altamira in Mexico and Suape in Brazil.

Procurement and raw materials

Procurement is organised in M&G as a global function covering key raw material procurement, logistics and production planning. The procurement organisation is overseen from Italy and employs 64 people of which 27 are located in North America, 18 in Europe and 19 in Brazil. The principal raw materials which are used to produce PET are PTA and MEG mixed together with a proportion of approximately two thirds PTA and one third MEG. PTA, in turn, is produced from paraxylene ("PX"). PTA and MEG prices are both directly or indirectly linked to oil prices and as such, their prices can be subject to significant cyclical variation. However, while PTA and MEG together represent almost 70 per cent. of the PET Resin cost, they only represent approximately 3 per cent. of the retail price of a CSD bottle. This difference typically allows PET Resin producers to transfer to brand-owners even very large oil-driven variations in raw material prices with little or marginal impact on PET Resin demand. Raw material prices therefore have relatively little impact on the difference between the PET Resin price and the cost of the two main raw materials (PTA and MEG), which is generally referred to in the industry as the spread. Consequently, the spread is primarily influenced by changes in capacity. PTA, which represents approximately 60 per cent. of the Company's cost of production for PET, is more effectively sourced on a regional basis because of the significance of the PTA logistic cost. The key Company suppliers include BP, Petrocel, DupontSA and Interquisa. M&G International's PTA supply position in Mexico, where it acquires PTA "through the pipe" from merchant PTA supplier Petrocel, is unique because it allows the Company to enjoy integration logistics savings while maintaining access to more competitive merchant PTA suppliers' cost structures. The Company's PTA supply position in Suape, Brazil, will also enjoy particularly advantaged logistics because its location at the Suape port gives it access to inexpensive ocean freight rates when importing from Mexico and from Asia. In addition, M&G International has significant PTA capacity in Brazil through its RhodiaCo plant in Paulinia, Brazil. PX is a widely produced refinery petrochemical commodity produced from the aromatics stream

extracted as a by-product of gasoline manufacturing. As such, prices have largely tracked octane value and marginal extraction costs with the exception of periods of supply imbalances. PX production is entirely used in the manufacture of PTA (0.67 mt to 1 mt of PTA). The Company purchases significant quantities of PX for its PTA facility in Paulinia, Brazil. MEG is produced from ethylene, a widely available basic petrochemical. Some 88 per cent. of global MEG production is used in the manufacture of PET, the remainder being used to produce anti-freeze and for industrial solvent uses. Supply is controlled by a limited number of producers such as Sabic, Shell, BASF and MEGlobal (a 50 per cent. joint-venture with Dow) which is the global MEG market leader with assets in USA, Canada, Middle East, Asia and Europe. The Company procures its MEG requirements from all MEG producers. MEG prices are cyclical but only have a small impact on PET pricing as they form a relatively small part of the overall cost.

M&G International is a competitive buyer of PTA and MEG and generally procures its key raw materials on a medium-term contract basis with a typical duration of 3 to 5 years, automatically renewable unless specifically terminated at expiry. The Company has secured a vast majority of its estimated consumption in each site under medium-term contracts. In addition, it has also put in place mechanisms to address potential supply disruptions, and in particular, it (i) procures its raw materials from leading suppliers which have multiple production sites, and benefits from contractual provisions pursuant to which it is to be supplied from suppliers' other production sites in case of supply disruptions at a particular site; and (ii) some contracts provide for minimum and maximum quantities, offering additional flexibility in case a particular supplier is experiencing supply difficulties.

Company Research & Development

The Company operates its R&D activities in the Akron centre which is located in Ohio, United States, and specialises in material development. M&G International employs approximately 51 people in R&D activities and spends approximately \$10 million each year in R&D.

The Company's R&D has two main objectives:

Unique engineering know-how

Engineering proprietary developments support construction of larger and more efficient plants and the Company's industry leadership in low-cost manufacturing. These developments are undertaken jointly with Chemtex and are protected by the intra-Group understanding that the new generation engineering technology which is developed through these joint development activities shall be used exclusively by the Company and shall not be offered by Chemtex to the wider market. For example the Company acquired from Chemtex its new Altamira line with a capacity of 200 kmt/y in 2003 and was able to re-design parts of the plant to bring the line capacity to the current 400 kmt/y rate through engineering development, the majority of which was performed internally. These engineering developments (though not formally patentable) are proprietary to the Company. The Company has allowed Chemtex to use the current Altamira design to construct the new Suape line with Brazil with the understanding that the line was to be transferred to M&G International as soon as completed. Group policy is not to inhibit engineering exchanges between subsidiaries by formal agreements, unless strictly necessary (i.e. until the various subsidiaries involved in engineering exchanges remain under the majority control of the same ultimate parent company). At present the protection of the Company's engineering know-how is provided by a directive of the Group Executive Committee which is comprised of three representatives of the Ghisolfi family and all the Group senior directors, whereby Chemtex or any other Group subsidiary cannot offer to the market or independently operate a PET plant with a capacity bigger than the largest plant size offered by competing merchant engineering companies, which as of today is equal to 200 kmt/y.

Product innovation leadership

The Company's innovative focus centres on:

- Customers Packaging Cost Reduction: grade enhancement for products used in traditional PET applications (CSD, Heat-set and Water Grades) to provide customers with processing cost savings;
- Demand Enlargement: innovations aimed at allowing PET Resin penetration in emerging applications such as beer, fruit juices and oxygen-sensitive food; and
- PET Packaging Sustainability: innovation aimed at providing environmentally friendly solutions to promote PET packaging sustainability (for example, the Company is currently the only producer of chemically recycled PET in the world).

The Company believes that its intellectual property is adequately protected by its and the Group's patent portfolios, which comprise a total of approximately 1,000 patents throughout the world. All crucial barrier technology and PET special Grades patents are owned directly by M&G International. PET patents owned by other Group affiliates are made available to the Company by exclusive arrangements. The life of most patents extends beyond 2015, with many patents expiring after 2020. Almost all patents cover the United States, Mexico and main Western European countries. Several patents cover Brazil, and the most recent barrier technology patents have a broad coverage that also includes Eastern European countries, former Russian Federation countries, China and other major Far East countries.

The Company's plants are all ISO certified with the exception of its site in the United States where brand-owners such as Coca-Cola do not rely on ISO certifications, but conduct their own site certifications.

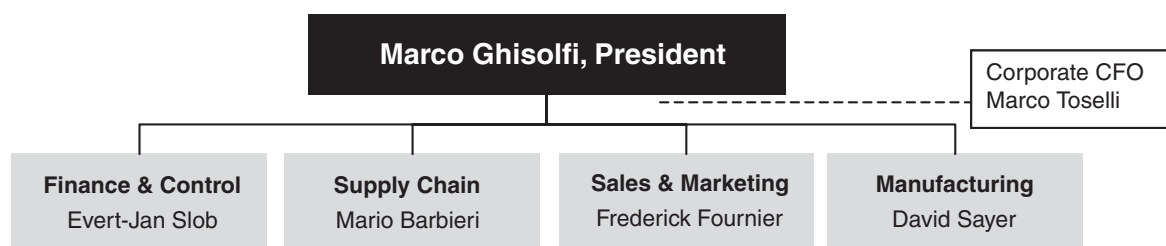
Company Customer Base

The majority of the Company's world-wide PET Resin sales are under term contracts with a typical duration of three to five years. The majority of these contracts contain some form of volume protection for M&G International (such as take or pay provisions or penalties for not buying volume) or provide the Company with the right to supply a high percentage of a customer's consumption. As a result, M&G International has historically been able to consistently achieve rates of capacity utilisation in excess of 90 per cent. even during down-cycles when the industry average capacity utilisation is typically below 80 per cent. M&G International key contract customers are Amcor, various Coca-Cola bottlers, Kodak, Constar, Innopak and Plastipak. Key contract customers, in exchange for extending their long-term commitment, are granted special access to the Company's new value-added product innovations such as ACTITUF (a proprietary resin with higher barrier properties, preventing oxygen from penetrating into the bottle and spoiling oxygen-sensitive drinks, as well as delaying the exit of CO₂, which prevents carbonated drinks from becoming "flat"); REPETE MAX (PET Resin made of chemically regenerated post-consumer scrap); and BICO (a delivery system that allows the insertion into the PET Resin pellet of the necessary additives to achieve special performance). Furthermore, some customers have traditionally valued M&G International's offer of "raw material cost plus" pricing in the expectation that the spread over raw materials cost required by the Company will, over the long run, be lower than that implied in the market price. This has been beneficial to M&G International as it has provided some degree of margin protection and reduced the impact of industry cyclicality. Finally, the Company has traditionally enjoyed consistent sales volume history with its key accounts both because it is often asked to supply technologically more sophisticated PET Grades which not all competitors have the technology to supply and because it typically supplies 100 per cent. (or a very high percentage) of some of its key customers' individual sites which have over time achieved important productivity gains by adapting their machines to the Company PET Resin Grades and would incur high switching costs to change over to other suppliers' PET Resins. Such customer relationships, in

addition to the volume protection generally embedded in its sales contracts, provide to M&G International's sales volume a strong competitive advantage in the industry.

Company Employees and Management

As of 30 September 2006 the Company employed approximately 1,600 personnel. The Group has never experienced any material labour issues. The “unionisation” level at the main plants is in line with the chemical industry standards of the countries where M&G International operates. Wage increases in Brazil, Italy and Mexico are in compliance with the relevant local labour laws. Except for the small Acetate business, all of the Company's activities are managed by a global management team which is organised as follows:



Brief biographical details of the key members of the Company's management are given below:

Marco Ghisolfi, President and CEO of M&G International SA

Mr. Ghisolfi (aged 45) is the President and CEO of the Company. He joined M&G in 1991 after spending three years at Hewlett Packard European headquarters in Geneva in various positions in finance and marketing. In 1996, Mr. Ghisolfi was appointed Vice-President, Finance and Marketing for the Group and was promoted to his current position in the year 2000. Mr. Marco Ghisolfi graduated in economics at Bocconi University and has an MBA degree from the Columbia University Graduate School of Management.

David Sayer, Director – Manufacturing and Operations

David Sayer (aged 52) is the Global Manufacturing Director of the Company. Mr. Sayer joined M&G International in June 2002. He has extensive experience in international chemical manufacturing and strategic management, having spent 18 years with ICI/Zeneca in senior management roles in manufacturing, capital project management, acquisitions/divestitures, and marketing. Upon moving to the United States his most recent positions included Vice-President of Technology for Globe Manufacturing (spandex fibre), and General Manager of ITW TACC (adhesives).

Mario Barbieri, Director – Global Supply Chain

Mr. Barbieri (aged 48) is the Director of the Global Supply Chain of the Company. He joined M&G International in June 2000 at the time of the acquisition of the PET business from Shell where he started working in 1984 as product manager of Specialty Chemicals in Italy and where he remained up to his entrance in M&G International. After serving as Marketing Manager for polypropylene at Shell in France, he returned to Italy, where he became Business Manager for Shell PET Southern Europe in 1994. In 1996 he was appointed PET Commercial Manager for Europe and Africa, as well as Raw Material Purchasing Manager with responsibility for the logistic and supply chain for the region.

Fred Fournier, Director – Marketing and Sales

Mr. Fournier (aged 61) is the Director of Global PET Marketing and Sales of the Company. He joined M&G International in June 2000 at the time of the acquisition of the PET business from Shell where he started working in 1992 after spending 19 years with Goodyear. Following his transfer to

Shell, he was made responsible for raw materials and logistics contracts for Mexico and supported the European PET business in developing its raw material strategy. From 1998 to 2000 he served in Shell PET as Global Supply Chain Director.

Evert-Jan Slob, Director – Finance and Control

Mr. Slob (aged 39) is Director of Finance and Control of the Company. He joined M&G International in June 2000 at the time of the acquisition of the PET business of Shell where he started working in 1997 holding various accounting and corporate finance posts in London. He also acted as Shell Internal Finance Consultant dealing with management reporting and treasury.

Marco Toselli, CFO of the Group

Mr. Toselli (aged 44) is the Group Chief Financial Officer. He joined the Group in 1999. Before joining the M&G Group, he was senior banker at EBRD (European Bank for Reconstruction and Development) where he structured project financing mainly in Ukraine and Slovenia for the private and public sectors. Before his EBRD experience, Mr. Toselli was a senior consultant with McKinsey in Italy, where he was part of the banking practice with strategic, organisational and restructuring assignments in various European countries. Mr Toselli has an MBA degree from the Columbia University Graduate School of Business.

Senior management compensation is usually divided into a fixed salary and an annual bonus. The drivers of the bonuses change depending on the level of responsibility of the manager. The main drivers are individual performance, business unit performance and the Company's financial performances measured by metrics such as ROCE (Return on Capital Employed).

The members of the board of directors of the Company are set out below:

<u>Director</u>	<u>Biographical details</u>
Marco Ghisolfi	<i>(see above)</i>
Marco Toselli	<i>(see above)</i>
John Seil	Born in Luxembourg in 1948; graduated in business administration; accountant
Thierry Fleming	Born in Luxembourg in 1948; graduated in finance and business administration; accountant
Federico Franzina	Born in Padova (Italy) in 1961, resident in Luxembourg; graduated in business administration; public accountant and auditor

The members of the board of directors of the Issuer are set out below:

<u>Director</u>	<u>Biographical details</u>
Marco Ghisolfi	<i>(see above)</i>
Marco Toselli	<i>(see above)</i>
Thierry Fleming	<i>(see above)</i>
Federico Franzina	<i>(see above)</i>
Reno Maurizio Tonelli	Born in Cesena (Italy) in 1955 resident in Luxembourg; graduated in political science

Legal and Environment

The Group's facilities are subject to various laws and regulations regarding the discharge of materials into the environment and other forms of protection of the environment, including actual and potential obligations to remediate contaminated sites that M&G International currently owns or operates, formerly owned or operated, where M&G International disposes or disposed waste from its operations, and where property owned by third parties was contaminated by an emission or spill for which M&G International bears responsibility. Except as described below, neither M&G International nor its subsidiaries are party to any pending legal proceedings that may have a material adverse effect on M&G International on a consolidated basis. For further information on the risks faced in connection with environmental liabilities and compliance costs, please see "Risk Factors".

PET does not produce dangerous waste and is not seen as an especially polluting production and, as such, is not subject to special regulation or restrictions. Acetate and PTA production are more environmentally sensitive. However, M&G International has made substantial investments in its Acetate production plant in Italy resulting in its environmental performance significantly exceeding regulatory thresholds. In addition, the Company's PTA plant meets all regulatory limits in its waste water effluent following an agreement with CETESB (São Paulo's State Environmental Agency) and São Paulo's State Public Prosecution Service (through Paulínia's Public Prosecutor's Office), whereby M&G International has made further investments in its PTA production facilities in Paulínia to reduce manganese levels in its waste water effluent to meet regulatory limits.

M&G International has a dispute with the Brazilian Internal Revenue Service relating to certain credits in respect of *Imposto Produtos Industrializados* (IPI) (a value added tax). M&G International has fully provided in its accounts for its potential liability (equal to €45 million as of 30 June 2006, after taking into account the benefit of a guarantee from Rhodia Brasil Ltda. in respect of a portion of such liability equal to approximately US\$27 million) in the event those credits are disallowed and for a penalty for late payment equal to 20 per cent. of such liability. M&G International may be liable for further penalties but such liability (if any) cannot be determined with any certainty at this time. The provision does not include additional potential penalties.

Company Insurance

M&G International has a master policy which operates as a second level insurance over the local policies issued in countries where M&G International's facilities are located. Best limits and best conditions prevail over local policies. The master policy is issued by a pool of leading insurance companies. The following risks are covered:

- Direct material damages;
- Third-party liability for business activity and product liability;
- Transport;
- Business interruption damages; and
- Construction insurance when new plants are built (EAR-ALop - *Erection all risk and advanced loss of profit*), together with cargo advance loss of profit.

The main excluded risks are terrorism, machinery breakdown and theft.

M&G International has a total stop loss per claim for combined direct material damages and business interruption damages of €100 million and US\$150 million for Europe and the Americas, respectively. Annual aggregate stop losses amount to €25 million for third party liability, €5 million for product liability recall and €10 million for third party liability for business interruption or suspension.

SELECTED UNAUDITED FINANCIAL INFORMATION

The unaudited consolidated interim financial information for the six month periods ended 30 June 2006 and 30 June 2005 as well as for the nine month periods ended 30 September 2006 and 30 September 2005 set out below has been prepared by management on a basis substantially consistent with that of the relevant audited consolidated financial statements prepared in accordance with accounting principles generally accepted in Luxembourg. Certain valuation procedures, and in particular more complex procedures such as, but not limited to, the determination of possible impairment losses on fixed assets, and the actuarial calculation of pension plans, are generally completed only at the time of preparation of the annual consolidated financial statements, when all the necessary information is available. However, there can be no assurance that the unaudited financial information for the six months ended 30 June 2006 and for the nine months 30 ended September 2006 have been prepared on a basis consistent with the unaudited interim financial information for the six months ended 30 June 2005 and for the nine months ended 30 September 2005, respectively. The consolidated interim financial information has not been audited by our external auditors and is presented for information purposes only.

The following table sets out the unaudited consolidated profit and loss statement and balance sheet for the Parent Guarantor and the Group for the period ended 30 June 2006 and 2005:

	Unaudited Six months ended 30 June 2006	Unaudited Six months ended 30 June 2005
Profit & Loss Statement		
Sales Proceeds	750,385,730	774,880,253
Other Revenues	12,670,054	5,571,862
Revenues	763,055,784	780,452,114
Variable Product Costs.....	(605,602,874)	(597,859,241)
Variable Distribution Costs	(29,229,722)	(32,946,304)
Cost of Sales	(634,832,596)	(630,805,545)
MARGIN	128,223,188	149,646,569
Fixed Costs	(74,945,396)	(71,766,633)
Capitalised Costs	1,048,319	697,542
Extraordinary Items	—	—
EBITDA	54,326,110	78,577,479
Depreciation	(25,446,621)	(27,409,616)
EBIT	28,879,489	51,167,863
3rd parties short-term loan interests	628,820	3,465,367
3rd parties medium-term loan interests	(7,980,062)	(9,819,226)
Other 3rd parties income & expense	(9,804,731)	(6,052,815)
3rd parties financing income and expenses	(17,155,973)	(12,406,674)
Related parties financing	1,919,600	843,502
Investments gains and losses	—	—
Difference in exchange.....	520,144	(12,550,275)
NIBT	14,163,260	27,054,416
Income Taxes	(1,487,673)	(12,573,127)
NIAT	12,675,588	14,481,289
of which:		
Profit of the Group	12,983,606	13,755,971
Minority Interests	(308,019)	725,317

	Unaudited As of 30 June 2006	Unaudited As of 30 June 2005
Balance Sheet		
Land & building	113,857,115	116,025,255
Machinery & equipment	854,475,984	870,061,787
Other tangible assets	19,395,465	19,934,005
Depreciation fund	(615,899,850)	(587,010,489)
Asset under construction	10,533,272	24,186,989
Net Tangible Assets	382,361,987	443,197,546
Intellectual property	3,503,215	3,986,908
Other intangible assets	(59,890,824)	(77,102,518)
Deferred tax assets & liabilities	(28,618,215)	(30,163,001)
Personnel funds & provisions	(21,587,354)	(24,438,557)
Other non current assets & liabilities	(47,813,983)	(2,233,822)
Other non current assets & liabilities	(154,407,161)	(129,950,990)
Fixed Capital	227,954,826	313,246,556
Inventories	154,700,371	153,963,847
Trade Receivables	259,577,193	244,393,403
Bad Debt Provisions	(1,072,629)	(1,313,674)
Trade Payables	(310,921,490)	(312,791,857)
Commercial Working Capital	102,283,446	84,251,719
Current Taxes Receivables	44,621,870	45,335,688
Current Taxes Payable	(18,740,430)	(17,701,592)
Other Current Receivables	25,430,167	27,793,492
Other Current Payables	(27,147,585)	(37,017,624)
Non Commercial Working Capital	24,164,022	18,409,965
Working Capital	126,447,468	102,661,684
CAPITAL EMPLOYED	354,402,294	415,908,240
3rd parties investments	400,335	431,157
Related parties investments	—	0
3rd parties medium-term financial assets	—	—
NON CURRENT FINANCIAL ASSETS	400,335	431,157

Balance Sheet (continued)	Unaudited As of 30 June 2006	Unaudited As of 30 June 2005
Capital	(79,040,000)	(79,040,000)
Reserves	(146,629,902)	(111,543,067)
Related Party Consolidation Reserve	—	—
Minority Interests	(59,111,756)	(57,719,156)
Group – Currency translation adjustments	87,694,926	66,096,931
Minority – Currency translation adjustments	11,678,061	9,642,428
Intercompany DIE	—	—
Group – Profit for the period	(12,983,606)	(13,755,971)
Minority – Profit for the period	308,019	(725,317)
Equity	(198,084,258)	(187,044,153)
Related parties financing – assets	5,145,203	6,754,798
Related parties financing – liabilities	(4,054)	(3,652)
Related Parties Financing	5,141,149	6,751,147
Banks medium & long term loans	(104,335,839)	(66,898,596)
Other 3rd parties medium & long term loans.....	(110,798,903)	(151,695,783)
Medium & Long term Loans	(215,134,741)	(218,594,379)
Non-bank short term financing – assets	—	—
Non-bank short term financing – liabilities.....	—	—
Cash & cash equivalents	132,682,724	121,667,710
Banks short term loans	(79,407,502)	(139,119,722)
Short term Financing	53,275,221	(17,452,013)
3rd Parties Financing	(161,859,520)	(236,046,392)
TOTAL FINANCING	(354,802,629)	(416,339,398)

The following table sets forth the unaudited consolidated profit and loss statement and balance sheet for the Parent Guarantor and the Group for the periods ended 30 September 2006 and 2005:

	Unaudited Nine months ended 30 September 2006	Unaudited Nine months ended 30 September 2005
Profit & Loss Statement		
Sales Proceeds	1,129,306,198	1,164,365,209
Other Revenues	15,199,531	4,468,987
Revenues	1,144,505,729	1,168,834,196
Variable Product Costs.....	(923,413,938)	(901,726,619)
Variable Distribution Costs	(41,432,034)	(46,681,845)
Cost of Sales	(964,845,972)	(948,408,464)
MARGIN	179,659,757	220,425,732
Fixed Costs	(109,357,875)	(106,228,843)
Capitalised Costs	1,414,673	1,209,727
Extraordinary Items	—	—
EBITDA	71,716,555	115,406,616
Depreciation	(38,135,588)	(39,705,884)
EBIT	33,580,967	75,700,732
3rd parties short-term loan interests	858,228	6,019,102
3rd parties medium-term loan interests	(10,953,293)	(14,943,131)
Other 3rd parties income & expense	(10,956,592)	(11,718,027)
3rd parties financing income and expenses	(21,051,657)	(20,642,056)
Related parties financing	2,314,305	1,443,918
Investments gains and losses	—	—
Difference in exchange.....	4,813,019	(17,112,991)
NIBT	19,656,634	39,389,604
Income Taxes	5,957,954	(18,347,378)
NIAT	25,614,588	21,042,226
of which:		
Profit of the Group	25,547,354	20,050,203
Minority Interests	67,235	992,023

	Unaudited As of 30 September 2006	Unaudited As of 30 September 2005
Balance Sheet		
Land & building	114,688,384	116,852,953
Machinery & equipment	862,830,626	878,659,082
Other tangible assets	19,507,121	20,420,313
Depreciation fund	(632,651,920)	(602,706,441)
Asset under construction	14,357,509	23,159,140
Net Tangible Assets	378,731,721	436,385,046
Intellectual property	3,326,287	3,824,871
Other intangible assets	(55,197,756)	(75,028,656)
Deferred tax assets & liabilities	(25,992,585)	(29,649,403)
Personnel funds & provisions	(20,547,854)	(23,504,605)
Other non current assets & liabilities	(51,973,103)	(6,608,553)
Other non current assets & liabilities	(150,385,010)	(130,966,346)
Fixed Capital	228,346,710	305,418,701
Inventories	171,330,938	150,028,570
Trade Receivables	292,210,466	251,654,682
Bad Debt Provisions	(1,075,037)	(1,332,793)
Trade Payables	(363,729,562)	(315,918,927)
Commercial Working Capital	98,736,805	84,431,532
Current Taxes Receivables	61,387,873	45,712,772
Current Taxes Payable	(16,345,986)	(26,791,267)
Other Current Receivables	25,640,432	21,416,356
Other Current Payables	(29,479,884)	(47,179,044)
Non Commercial Working Capital	41,202,435	(6,841,183)
Working Capital	139,939,240	77,590,349
CAPITAL EMPLOYED	368,285,950	383,009,049
3rd parties investments	407,609	431,692
Related parties investments	—	0
3rd parties medium-term financial assets	—	—
NON CURRENT FINANCIAL ASSETS	407,609	431,693

	Unaudited As of 30 September 2006	Unaudited As of 30 September 2005
Balance Sheet (continued)		
Capital	(79,040,000)	(79,040,000)
Reserves	(146,629,902)	(111,543,067)
Related Party Consolidation Reserve	—	—
Minority Interests	(59,111,756)	(57,719,156)
Group – Currency translation adjustments	83,120,830	64,864,835
Minority – Currency translation adjustments	11,507,579	9,443,309
Intercompany DIE	—	—
Group – Profit for the period	(25,547,354)	(20,050,203)
Minority – Profit for the period	(67,235)	(992,023)
Equity	(215,767,838)	(195,036,304)
Related parties financing – assets	5,435,256	8,216,911
Related parties financing – liabilities	(3,883)	(3,820)
Related Parties Financing	5,431,374	8,213,091
Banks medium & long term loans	(99,945,671)	(69,150,372)
Other 3rd parties medium & long term loans	(111,263,734)	(152,319,442)
Medium & Long term Loans	(211,209,405)	(221,469,814)
Non-bank short term financing – assets	33,125	304
Non-bank short term financing – liabilities	—	—
Cash & cash equivalents	136,758,947	137,629,791
Banks short term loans	(83,939,761)	(112,777,810)
Short term Financing	52,852,311	24,852,285
3rd Parties Financing	(158,357,094)	(196,617,529)
TOTAL FINANCING	(368,693,559)	(383,440,742)

TAXATION

Luxembourg Taxation

The following general summary is based on the tax laws of Luxembourg as in effect on the date of this Prospectus and is subject to any change that may come into effect after that date. The following summary does not purport to be a comprehensive description of all the Luxembourg tax considerations which may be relevant to a decision to purchase, own or dispose of the Securities. A prospective holder or beneficial owner of the Securities should consult its tax adviser as to the Luxembourg tax consequences of the ownership and disposition of the Securities.

Luxembourg tax residents

A Holder will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Securities, or the execution, performance, delivery and/or enforcement of the Securities.

Withholding tax

Under current Luxembourg tax law, payments of interest by the Issuer under the Securities will, with the possible exception of interest payments made to individual Holders and certain residual entities, be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein to the extent that such interest has been negotiated at arm's length and is not profit participating. There is also no Luxembourg withholding tax, with the possible exception of interest payments made to individual Holders and certain residual entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Securities by the Issuer.

Under the Luxembourg laws dated 21 June 2005 and effective from 1 July 2005 implementing the European Savings Directive (2003/48/EC) passed on 3 June 2003 and published on 26 June 2003 (the "Savings Directive") and several agreements concluded between Luxembourg and certain dependent territories of the European Union, certain interest payments made to individual Holders and certain residual entities by Luxembourg based Paying Agents, if any, could be subject to withholding tax (see below). As from 1 January 2006, interest payments by a Luxembourg based Paying Agent (defined in the same way as in the Savings Directive) to Luxembourg resident individuals and certain residual entities are subject to a 10 per cent. withholding tax. This 10 per cent. withholding tax represents the final tax liability on interest received by Luxembourg resident individuals receiving the payment in the framework of their private estate.

Taxation of the Holders

A Holder who derives income from a Security or who realises a gain on the disposal or redemption of a Security will not be subject to Luxembourg taxation on income or capital gains unless:

- the Holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or
- such income or gain is attributable to an enterprise or part thereof which is carried on by a non-resident through a permanent establishment or a permanent representative in Luxembourg.

Luxembourg resident individual Holders are however not subject to taxation on capital gains upon disposal of a Security, unless such a disposal precedes the acquisition of the Security or the Security is disposed of within six months of its date of acquisition.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a Holder unless:

- the Holder is, or is deemed to be, a fully taxable company resident in Luxembourg; or
- such Security is attributable to an enterprise or part thereof which is carried on by a non-resident company through a permanent establishment or a permanent representative in Luxembourg.

Other Taxes

Luxembourg gift or inheritance taxes will not be levied on the transfer of a Security by way of gift by, or on the death of, a Holder unless:

- the Holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or
- the transfer is construed as an inheritance made by or on behalf of a person who, at the time of death is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or
- such Security is attributable to an enterprise or part thereof which is carried on by a non-resident through a permanent establishment or a permanent representative in Luxembourg; or
- the gift is registered in Luxembourg, which is in most cases not mandatory.

There is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty (other than nominal court fees and contributions for the registration with the Chamber of Commerce) payable in Luxembourg in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Securities or the performance of the Issuer's obligations under the Securities, except that in the case of court proceedings in a Luxembourg court or the presentation of the documents relating to the Securities, other than the Securities, to an "*autorité constituée*", such court or "*autorité constituée*" may require registration thereof, in which case the documents will be subject to registration duties depending on the nature of the documents.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Securities or in respect of the payment of interest or principal under the Securities or the transfer of a Security, provided that Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from value added tax does not apply with respect to such services.

Italian Taxation

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Securities are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Securities.

In the near future, with the approval of the law proposal No. 1762 of 4 October 2006, currently under discussion in the Parliament, the Italian Government could be authorised to

introduce a fixed 20 per cent. withholding tax on any capital gains and financial incomes irrespective of the nature of the security and the source of the income, which may impact upon the tax regime of the Securities, as described below.

All payments of principal and interest premiums and other income in respect of the Securities and Coupons made by the Issuer to non-Italian residents – without a permanent establishment in Italy to which the Securities are effectively connected – will be made without withholding or deduction for, or on account of, any taxes, duties or governmental charges of whatsoever nature imposed or levied by or on behalf of the Republic of Italy or any authority therein or thereof having power to tax.

Tax treatment of Securities that qualify as atypical securities

Securities issued by non-Italian tax resident entities that are not deemed to fall within the category of *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree of 22 December 1986 No. 917 (Decree No. 917), shall be qualified for tax purposes as atypical securities and will be subject to the provisions of art. 8 of Law Decree No. 512 of 30 September 1983. Interest paid to the following Italian tax resident investors under atypical securities are subject to a final withholding tax levied at a rate of 27 per cent.: i) individuals not engaged in an entrepreneurial activity; ii) mutual funds; iii) real estate funds iv) pension funds; v) investors exempt from Italian corporate income taxation; vi) partnerships, (other than *società in nome collettivo* or in *accomandita semplice* or *similar partnerships*) de facto partnerships not engaged in commercial activities or professional association; vii) private or public institutions not engaged in commercial activities. The withholding tax is applied by any Italian entity connected with the coupon payment or negotiation of the security. No withholding tax will be levied on interest payments made to Italian tax resident partnerships and assimilated entities, companies and Italian branches of non Italian companies.

Pursuant to article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds) they must have a maturity and incorporate an unconditional obligation to pay at maturity an amount not less than the nominal amount.

Payments made by an Italian resident guarantor

With respect to payments on the securities made to an Italian Holder by an Italian resident guarantor in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the securities may be subject to a provisional withholding tax at a rate of 12.5 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In the case of payments to non-Italian resident Holders, the withholding tax may be applied at (i) 12.5 per cent. if the payment is made to non-Italian Holders, other than those mentioned under (ii); or (ii) 27 per cent. if payments are made to non-Italian Holders who are resident in tax haven countries (as defined and listed in the Presidential Decree of 23 January 2002, as amended from time to time). Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Capital gains tax

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

Where an Italian resident Holder is an individual not holding the Securities in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Holder from the sale or redemption of the Securities would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Holders may set-off losses with gains. Alternative tax regimes are contemplated if the Securities are managed by authorised intermediaries on behalf of the Italian resident Holder (such as the *risparmio amministrativo* and the *risparmio gestito* regime).

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

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual holding the Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding the Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in their annual tax return and pay the *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, Italian resident individuals holding the Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Securities (the *risparmio amministrato regime*). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, SIMs (*Società di intermediazione mobiliare*) or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato regime* being timely made in writing by the relevant Holder in a timely manner. The depository is responsible for accounting for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Holder or using funds provided by the Holder for this purpose. Under the *risparmio amministrato regime*, where a sale or redemption of the Securities results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth succeeding tax year. Under the *risparmio amministrato regime*, the Holder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito regime*, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito regime*, the Holder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Holder who is an Italian open ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Holder who is an Italian pension fund (subject to the regime provided for by articles 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree No. 124 of 21st

April, 1993) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October, 2006 ("Decree No. 262"), converted into Law No. 286 of 24 November, 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding €100,000; and
- (iii) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer Tax

Pursuant to Legislative Decree No. 435 of 21 November 1997, which partly amended the regime set out in Royal Decree No. 3278 of 30 December 1923, the transfer of the Securities may be subject to Italian transfer tax which is currently payable at a rate between a maximum of €0.0083 and a minimum of €0.00465 per €51.65 (or fraction thereof) of the price at which the Securities are transferred. Where the transfer tax is applied at a rate of €0.00465 per €51.65 (or fraction thereof) of the price at which the Securities are transferred, the transfer tax cannot exceed €929.62 for each transaction.

However, the transfer tax does not apply, *inter alia*, to (i) contracts entered into on regulated markets relating to the transfer of securities, including contracts between the intermediary and its principal or between qualified intermediaries, (ii) off-market transactions regarding securities listed on regulated markets, provided that the contracts are entered into (a) between banks, SIMs, or other financial intermediaries regulated by Legislative Decree No. 415 of 23 July 1996 as superseded by Decree No. 58 or stockbrokers; (b) between the subjects mentioned in (a) above on the one hand, and non Italian residents on the other hand; (c) between the subjects mentioned in (a) above, even if non-resident in the Republic of Italy, on the one hand, and *organismi di investimento collettivo del risparmio*, on the other hand; (iii) contracts related to sales of securities occurring in the context of public offering (*offerta pubblica di vendita*) aimed at the listing on regulated markets, or involving financial instruments already listed on regulated markets; (iv) contracts regarding securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above on the one hand, and non-Italian residents on the other hand; and (v) contracts for a consideration of not more than €206.58.

Savings Directive

The Savings Directive provides that European Union Member States will have to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a paying agent within its jurisdiction to an individual who is the beneficial owner of the interest and resident in that other Member State. Luxembourg, Austria and Belgium may, however, apply a withholding tax system for a transitional period starting on 1 July 2005 (the end of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The Savings Directive further prescribes that an individual subject to the withholding regime set by Luxembourg, Austria and Belgium should have the right to elect that the exchange of information regime be applied instead.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("Decree No. 84"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

Mexican Taxation

The following general summary is based on the tax laws of Mexico as in effect on the date of this Prospectus and is subject to future changes.

Withholding Tax

Under Mexican law, payments of interest by M&G México Holding, S.A. de C.V. to non-Mexican tax residents are subject to withholding of Mexican income tax. The withholding rates are subject to the nationality, residence and nature of the Holder.

SUBSCRIPTION AND SALE

The Manager has, in a subscription agreement dated 7 March 2007 (the “Subscription Agreement”) and entered into between the Issuer, the Guarantors and the Manager upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Securities at an issue price of 98.688 per cent. of their principal amount plus any accrued remuneration in respect thereof and less a combined management, underwriting and selling commission of 1.80 per cent. of their principal amount. The Manager 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 Securities.

The Manager has represented and agreed that it is an *investitore professionale soggetto a vigilanza prudenziale* within the meaning set out in Article 2412 of the Italian Civil Code and its implementing regulations.

United States

The Securities 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.

The Securities 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 U.S. Internal Revenue Code and regulations thereunder.

The Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Securities as determined, and certified to the Issuer, by the Fiscal Agent, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

United Kingdom

The Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Luxembourg

In relation to the Grand Duchy of Luxembourg (“Luxembourg”), which has implemented the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the “Prospectus Directive”) by the Luxembourg act dated 10 July 2005 relating to prospectuses for securities (the “Prospectus Act 2005”), the Manager has represented and agreed that it has not made and will not make an offer of Securities to the public in Luxembourg, except that it may make an offer of Securities to the public in Luxembourg:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Securities which has been approved by the *Commission de surveillance du secteur financier* (the “CSSF”) as competent authority in Luxembourg or, where appropriate, approved in another Member State of the European Economic Area which has implemented the Prospectus Directive and notified to the CSSF, all in accordance with the Prospectus Directive and ending on the date which is twelve months after the date of such publication;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorised or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and retirement funds and their management companies, commodity dealers as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities);
- (c) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations);
- (d) at any time, to any legal entities which have two or more of (i) an average number of employees during the financial year of at least 250, (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in their last annual or consolidated accounts;
- (e) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Prospectus Act 2005) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the CSSF; and
- (f) at any time, in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to articles 5 and 30 of the Prospectus Act 2005.

For the purposes of this provision, the expression an “offer to Securities to the public” in relation to any Securities in Luxembourg means the communication in any form by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe to these Securities.

Republic of Italy

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Securities be distributed in the Republic of Italy, except:

- (i) to professional investors (*operatori qualificati*) (the Professional Investors), as defined in Article 31, second paragraph, of CONSOB (the Italian Securities Exchange Commission) Regulation No. 11522 of 1 July 1998, as amended (Regulation No. 11522); or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial

Services Act) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended (Regulation No. 11971).

Any offer, sale or delivery of the Securities or distribution of copies of this Prospectus or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 11522 and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB.

Mexico

The Securities may not be offered, sold or delivered to the general public in Mexico.

General

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

GENERAL INFORMATION

Authorisations

Each of the Issuer and the Guarantors has obtained all necessary consents, approvals and authorisations in connection with the issue of the Securities and the granting of the Guarantees. The issue of the Securities was duly authorised by the board of directors of the Issuer on 2 March 2007. The Guarantee by the Parent Guarantor was duly authorised by the board of directors of the Parent Guarantor on 2 March 2007. The Guarantee by M&G México Holding, S.A. de C.V. was duly authorised by the shareholders' meeting of M&G México Holding, S.A. de C.V. on 22 February 2007. The Guarantee by M&G Polimeri Italia S.p.A. was duly authorised by the board of directors of M&G Polimeri Italia S.p.A. on 26 February 2007. The Guarantee by M&G Polymers USA, LLC was duly authorised by the managers of M&G Polymers USA, LLC on 23 February 2007.

Litigation

Save as disclosed in the Prospectus, neither the Issuer nor any of the Guarantors is and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or any of the Guarantors is aware) during the previous 12 months which may have, or have had in the recent past, a material effect on the Group's financial position.

Significant Change

Save as disclosed in this Prospectus, there has been no material adverse change in the financial position of the Issuer or any of the Guarantors since 31 December 2005.

Documents available for inspection

Copies of the following documents may be inspected (and in the case of (a), obtained) during normal business hours at the specified office of the Fiscal Agent:

- (a) the most recent audited consolidated financial statements of the Parent Guarantor;
- (b) this Prospectus;
- (c) the Subscription Agreement; and
- (d) the Agency Agreement.

Clearing Systems

The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0290701993 and the common code is 029070199.

Legends

The Temporary Global Security and the Permanent Global Security will each bear the following legend: "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".

Fiscal Agent

The Issuer has appointed Deutsche Bank AG, London Branch as the initial Fiscal Agent and Calculation Agent.

Auditors

The Auditors of the Parent Guarantor are Deloitte SA of 560, rue de Neudorf, L-2220 Luxembourg who have audited the consolidated financial statements of the Parent Guarantor for the three years ended 31 December 2005, 2004 and 2003.

The Issuer

The Issuer was incorporated as a *société anonyme* in Luxembourg under the laws of the Grand Duchy of Luxembourg on 20 December 2006 with registered number B-123792. The Issuer was formed to carry out financing and acquisition transactions. Its registered office is at 3, boulevard de la Foire, L-1528 Luxembourg. As at the date hereof, its issued, paid-up and outstanding share capital was 10,000 shares of €10 each. The directors of the Issuer are Marco Ghisolfi, Marco Toselli, Thierry Fleming, Federico Franzina and Reno Maurizio Tonelli. The Parent Guarantor holds 99.9% of the shares in the Issuer.

The Subsidiary Guarantors

M&G México Holding, S.A. de C.V.

M&G México Holding, S.A. de C.V. was incorporated as a corporation (*sociedad anónima de capital variable*) in Mexico under the General Law of Commercial Companies (*Ley General de Sociedades Mercantiles*) on 3 May 2000 with registered number 263180 at the Public Registry of Commerce of the Federal District (*Registro Público de Comercio del Distrito Federal*). The business of M&G México Holding, S.A. de C.V. is that of a holding company. Its registered office is at Boulevard Petrocel KM. 2, Puerto Industrial Altamira, Altamira, Tamaulipas, México, C.P. 89600, TEL 01-(833)2-29-2924. As at 31 December 2005, its issued, paid-up and outstanding share capital was 9,576,503 shares of \$10.00 Mexican Pesos each. The sole administrator of M&G México Holding, S.A. de C.V. is Marco Ghisolfi. The Parent Guarantor holds through its Affiliates 100 per cent. of the shares in M&G México Holding, S.A. de C.V.

M&G Polimeri Italia S.p.A.

M&G Polimeri Italia S.p.A. was incorporated as a *société per azioni* (*Società per Azioni – S.p.A.*) in Italy under the laws of the Republic of Italy on 25 November 1999 with registered number 12969960157. The business of M&G Polimeri Italia S.p.A. is the production, purchase, sale and trading of chemical products, including polymers, and of any product derived or transformed from the latter. Its registered office is at via Morolense km. 10, 03010 Patrica (FR) Italy. As at 31 December 2005, its issued, paid-up and outstanding share capital was 3,750,000 shares of €5.16 each. The directors of M&G Polimeri Italia S.p.A. are Marco Toselli (Managing Director), Giuseppe Cupiccia and Mario Barbieri. M&G Polimeri Italia S.p.A. is a wholly-owned subsidiary of the Parent Guarantor.

M&G Polymers USA, LLC

M&G Polymers USA, LLC was formed as a limited liability company in the State of Delaware in the United States on 5 May 1999. The business of M&G Polymers USA, LLC is the production, purchase, sale and trading of chemical products, including polymers, and of any product derived or transformed from the latter. The registered office of M&G Polymers USA, LLC is at Apple Grove State Route 2, 25502 West Virginia USA. As at 31 December 2005, the entire membership interest in M&G Polymers USA, LLC was held by its sole member, M&G USA Corporation. The managers of M&G Polymers USA, LLC are Vittorio Ghisolfi, Guido Ghisolfi and Marco Ghisolfi.

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AUDITOR'S REPORT

To the Shareholders of
Mossi & Ghisolfi International SA

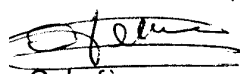
We have audited the accompanying consolidated financial statements of Mossi & Ghisolfi International S.A. as of December 31, 2005 and the related statement of cash flows for the year then ended and we have read the related consolidated management report. These consolidated financial statements and the consolidated management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to check the consistency of the consolidated management report with them.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors in preparing the consolidated financial statements, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and the related statement of cash flows referred to above give, in conformity with the legal and regulatory requirements in Luxembourg, a true and fair view of the assets, liabilities and consolidated financial position of Mossi & Ghisolfi International SA as of December 31, 2005 and the consolidated results of its operations and its cash flows for the year then ended.

The consolidated management report is consistent with the consolidated financial statements.

Deloitte SA
Réviseur d'Entreprises


O. Lefèvre
Partner

April 18, 2006

Audit • Tax • Consulting • Financial Advisory •

Member of
Deloitte Touche Tohmatsu

Consolidated Balance Sheet MOSSI & GHISOLFI INTERNATIONAL S.A.

As at December 31st, 2005

(in thousands of currency unit)

		2005	2004
	Notes	€	€
<hr/>			
NON CURRENT ASSETS:			
Intangible Assets	3	(55.625)	(83.595)
Property, Plant & Equipment	4	433.567	421.193
Investments	5	443	378
Other Non Current Assets	6	44.523	70.656
TOTAL NON CURRENT ASSETS		422.908	408.632
CURRENT ASSETS:			
Inventories Net	7	182.009	152.577
Trade & Other Receivables	8	330.406	247.578
Cash & Cash Equivalents	9	139.587	120.658
		652.002	520.813
PREPAID EXPENSES & ACCRUED INCOME	10	4.796	4.255
TOTAL ASSETS		1.079.706	933.700

The accompanying notes are an integral part of these financial statements

Consolidated Balance Sheet MOSSI & GHISOLFI INTERNATIONAL S.A.

As at December 31st, 2005

(in thousands of currency unit)

		2005	2004
	Notes	€	€
CAPITAL & RESERVES :			
Issued Capital	11	79.040	79.040
Currency Translation Adjustments	12	(58.484)	(96.997)
Reserves	13	1.460	1.460
Retained Earnings		110.083	84.993
Profit for the Year		35.087	25.090
TOTAL CAPITAL & RESERVES		167.186	93.586
Minority Interests	14	51.003	45.981
NON CURRENT LIABILITIES:			
Interest Bearing Borrowings	15	221.273	230.340
Retirement Benefit Obligation	16	23.794	22.567
Deferred Taxes	28	49.101	48.232
Provisions	17	41.164	8.612
TOTAL NON CURRENT LIABILITIES		335.332	309.751
CURRENT LIABILITIES:			
Trade & Other Payables	18	388.253	368.161
Current Portion of Interest Bearing Borrowings	19	118.671	96.453
Deferred Taxes	28	12.968	11.685
Provisions	17	645	1.128
TOTAL CURRENT LIABILITIES		520.537	477.427
DEFERRED INCOME & ACCRUED EXPENSES	20	5.648	6.955
TOTAL EQUITY AND LIABILITIES		1.079.706	933.700

The accompanying notes are an integral part of these financial statements

Consolidated Income Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As at December 31st, 2005

(in thousands of currency unit)

		2005	2004
	Notes	€	€
Net turnover		1.582.777	1.355.081
Changes in Inventories of Finished Goods & Work in Progress		15.969	(8.482)
Work performed by the enterprise and capitalized		1.763	5.286
Other Operating Income	21	6.804	26.048
		1.607.313	1.377.933
Raw Material & Consumables Used	22	(1.234.092)	(1.037.535)
Services & Other External Charges	23	(131.040)	(144.628)
Leases		(8.659)	(8.486)
Staff Costs	24	(63.305)	(57.280)
Depreciation, Amortization & Provisions	25	(57.676)	(62.088)
Other Operating Expenses	26	(5.761)	(8.801)
		(1.500.533)	(1.318.818)
OPERATING PROFIT		106.780	59.115
Financial Result	27	(47.796)	(23.523)
Extraordinary Result		-	-
PROFIT BEFORE TAX		58.984	35.592
Income Tax Expense	28	(22.504)	(6.176)
PROFIT AFTER TAXES		36.480	29.416
MINORITY INTERESTS		(1.393)	(4.326)
NET PROFIT FOR THE YEAR		35.087	25.090

The accompanying notes are an integral part of these financial statements

Consolidated Cash Flow Statements MOSSI & GHISOLFI INTERNATIONAL S.A.For the year ended December 31st, 2005 and 2004

(in thousands of currency unit)

	2005	2004
	€	€
CASH FLOW FROM OPERATIONS		
CASH FLOW BEFORE WC CHANGES:	146.778	90.484
Profit for the period	35.087	25.090
Depreciation, Amortization & Provision	58.554	62.649
Taxes	18.332	4.647
Minority result of the period	1.393	4.326
Other Non-Cash Items	33.412	(6.228)
CHANGES IN WORKING CAPITAL	(73.923)	28.910
NET CASH (USED) PROVIDED BY OPERATIONS	72.855	119.394
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in:		
- Fixed Assets	(36.185)	(34.953)
- Subsidiaries of which:		
for acquisition of Expedio Otto Equity	-	(4.814)
- Other	(224)	4.700
	(36.409)	(35.067)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Borrowings - Third Parties	29.998	9.026
(Repayments) of borrowings - Third parties	(58.797)	(62.018)
(Repayments) of Other Non Current Liabilities	-	-
(Payments) of Dividends - Third Parties	(6.470)	(3.767)
(Payments) of Dividends - Parent Company	-	(12.000)
	(35.269)	(68.759)
Difference in Exchange Rate	17.752	(6.868)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	18.929	8.700
Cash & Cash Equivalent at the beginning of the period	120.658	111.958
Cash & Cash Equivalent at the end of the period	139.587	120.658

The above figures cannot be directly traced from the balance sheet without additional information as a result of acquisition and disposal of assets, change in the scope of consolidation and net foreign exchange differences arising on consolidation.

The accompanying notes are an integral part of these financial statements

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

1. General

Mossi & Ghisolfi International S.A. ("MGI" or "The Company") is incorporated in Luxembourg. The registered office address of the Company is Boulevard de la Foire 3, L-2320 Luxembourg.

MGI was created on November 4th, 1998 and is the Luxembourg holding company of the Mossi & Ghisolfi Group ("MGI Group").

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the consolidated financial statements of MGI Group are as follows:

General

The consolidated financial statements for the year ended December 31st, 2005 have been prepared in accordance with the generally accepted accounting principles in Luxembourg.

The consolidated financial statements include the accounts of the parent company based in Luxembourg, MGI, and each of the foreign companies which MGI owns, directly or indirectly through subsidiaries, over 50% of the voting rights as defined by article 309 of the Luxembourg commercial law.

A list of the companies included in the scope of consolidation is provided in Note 34 and is considered an integral part of these notes.

In order to present the financial position and results of the Company to the reader with the utmost clarity and closer to the presentation as adopted by the International Financial Reporting Standards (I.F.R.S.), the annual accounts are presented with certain modifications to the legal format requirements in accordance with article 205 of the Luxembourg commercial law.

In particular the notes to these consolidated financial statements have been prepared making reference to the presentation format suggested by International Financial Reporting Standards (I.F.R.S.).

Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention.

Principles of Consolidation

The consolidated financial statements of the MGI Group include MGI and the companies that it controls (see note 34). This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statement from the date of acquisition or to the date of disposal, respectively.

Investments in associated companies (generally investments between 20% to 50% in a company's equity), where a significant influence is exercised by MGI Group, are accounted for by using the equity method.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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All other investments not consolidated held on a long-term basis are valued at cost less any impairment in value and are included in non-current assets.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances.

Intangible Assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end.

Patents, trademarks & licenses

Amounts paid for patents, trademarks & licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful lives of patents is established as 4-10 years, trademarks as 4-10 years and licenses as 10 - 20 years.

Loan & mortgage expenses

Loan & mortgage expenses mainly comprise the initial costs related to the arrangements for the borrowing facilities (loan agreements and the Senior Notes). These fees are amortized over the expected duration of the financing agreements.

Goodwill

Goodwill

The excess of the cost of the acquisition over the interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill is amortized on a straight-line basis over its useful life.

The unamortized balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is higher than the recoverable amount, an impairment loss is recognized.

Negative goodwill

Negative goodwill is recognized in the income statement as follows:

- a) to the extent that negative goodwill relates to expected future losses and expenses that are identified in the plan for the acquisition and can be measured reliably, that portion of negative goodwill is accounted for as other provisions and recognized as income when the future losses and expenses are recognized;
- b) the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is classified as a reduction of intangible assets and is recognized as income on a systematic basis

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

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over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets;

- c) the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognized as income immediately.

Research and Development Costs

Expenditures for research and development are charged against income in the period incurred except for project development costs, which comply strictly with the following criteria: (1) the product or process is clearly defined and costs are separately identified and measured reliably; (2) the technical feasibility of the product is demonstrated; (3) the product or process will be sold or used in-house; (4) a potential market exists for the product or its usefulness in case of internal use is demonstrated; (5) adequate technical, financial and other resources required for completion of the project are available.

Capitalized development costs are amortized on a straight-line basis over their expected useful lives. The period of amortization does not exceed five years.

The recoverable amount of development costs is estimated whenever there is an indication that the asset has been impaired or that the impairment losses recognized in previous years no longer exist.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are generally charged to income as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	16-39 years
Land Improvements	8-15 years
Machinery & Equipment	5-20 years
Furniture & Vehicles	3-8 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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Construction-in-progress represents plants and properties under construction and advance payments and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income statement for items of property, plant and equipment and intangibles carried at cost and is treated as a revaluation decrease for items that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same items. The recoverable amount is the higher of an asset's net selling price and value in use.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in income.

Government Grants

Government grants are deferred and amortized into income over the period necessary to match them with the related costs that they are intended to compensate. Grants contributed towards the acquisition of property, plant and equipment are deducted from the cost of those assets.

Income relating to government grants is recognized as a deduction from the cost of depreciation in profit and loss.

Finance Lease

The MGI Group recognizes finance leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the MGI Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Operating Lease

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

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Inventories

Inventories, including work-in-process are valued at the lower of cost and net realizable value, after provision for obsolete items. Cost is determined primarily on the basis of FIFO method of inventory evaluation, that assumes that the first goods purchased are the first goods used or sold, regardless of the actual physical flow. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs.

Unrealizable inventory is fully written off.

Receivables

Receivables are stated at face value, after provision for doubtful accounts.

Cash and Cash Equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The MGI Group operates internationally, giving rise to exposure to market risks from changes in interest and foreign exchange rates. The MGI Group uses derivative financial instruments to mitigate those risks. The MGI Group's criteria for a derivative instrument to be classified as a hedge includes: (1) the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk; (2) the effectiveness of the hedge can be reliably measured; (3) there is adequate documentation of the hedging relationships at the inception of the hedge; (4) for cash flow hedges, the forecast transaction that is subject of the hedges must be highly probable.

The MGI Group uses financial instruments to manage and reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. When these contracts qualify as hedges, their accounting is symmetrical to the accounting of the hedged items; gains and losses on such contracts are recorded in the same period as the item being hedged. When financial instruments are intended as a hedge but do not fully qualify for hedge accounting, the aggregate change in their market value is recorded in the profit and loss of the period of change if it results in a net loss; if it results in net gain, such gain is deferred.

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Reserves

Capital Reserves is created in the Luxembourg holding company in accordance with requirements of local laws and regulations.

Currency translation adjustments

Currency translation adjustments reflect translation differences arising on the consolidation of the financial statements of foreign subsidiaries and on the equity method for associated companies, as described in the note "Foreign Currencies".

Provisions

A provision is recognised when, and only when, an enterprise has a present obligation (legal or contractual) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Employee Benefits

Defined Benefit Plans

The MGI Group's companies in North America provide defined benefit pension plans for all employees. The funds are valued every year by professionally qualified independent actuaries. The obligation and costs of pension benefits are determined using a projected unit credit method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. Actuarial gains or losses are amortized based on the expected average remaining working lives of the employees. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Defined Contribution Plans

US and Brazilian subsidiaries sponsor defined contribution plans based on local practices and regulations. The plans cover full-time employees and provide for contributions ranging from 2.5% to 10% of salary. The contributions relating to defined contribution plans are charged to income in the year to which they relate.

Termination benefits

The reserve for employee termination benefits, which entirely refers to the Italian subsidiaries, is provided to cover the full liability due to employees in conformity with current Italian legislation, national labor contracts and additional indemnities agreed at company level. This reserve is subject to revaluation on the basis of indices.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Gross sales are recognized

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as revenues net of sales taxes and discounts when delivery has taken place and transfer of risks and rewards has been completed. Revenue from rendering services is recognized when the services are rendered.

Interest is recognized on a time proportion basis that reflects the effective yield on the asset. Dividends are recognized when the shareholder's right to receive payment is established.

Borrowing Costs

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Foreign Currencies

Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the income statement in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the exchange rate prevailing at the year end. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the consolidated profit and loss statement.

Foreign entities

The majority of foreign consolidated subsidiaries are regarded as foreign operations since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies except for the Brazilian subsidiary for which the functional currency is US\$. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet and at average exchange rates for the period with respect to the income statement. All resulting translation differences are included in equity as currency translation adjustments.

The following is a table of the principal currency translation rates to the € as of December 31st, 2005 and the average rates for the year ended December 31st, 2005:

Currency	2005 Average Rate	2004 Average Rate	Change in %	2005 Year End Rate	2004 Year End Rate	Change in %
US Dollar	0,802	0,804	0,2%	0,84767	0,734	15,5%
Mexican Pesos	0,073	0,071	2,8%	0,07952	0,066	20,48%
GB Pound	1,462	1,474	0,81%	1,459	1,418	2,9%

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Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the reporting entity recorded using the exchange rate at the effective date of the transaction. Exchange differences arising on a monetary item that, in substance, forms part of the MGI's net investment in a foreign entity are classified as equity in the consolidated financial statements until the disposal of the net investment. Exchange differences on transactions which hedge the MGI's net investment in a foreign entity are taken directly to the Currency translation adjustments in equity.

On the disposal of a foreign entity the cumulative amount of exchange rate differences that relate to the foreign entity, are recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

Income Taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred tax is calculated using the balance sheet liability method. Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the companies re-assess unrecognized deferred tax assets and the carrying amount of deferred tax assets. The companies recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The companies conversely reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax liabilities have not been provided on undistributed earnings of foreign subsidiaries to the extent the earnings are intended to remain invested in those entities.

A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortization is not deductible for tax purposes.

Segment Information

From a business point of view MGI Group is actually organized internally in one business area (Polymers) with two business units: PET resin and Acetate.

The area and business segments are the basis upon which the MGI Group reports its primary segment information: financial information on geographical and business segments is presented in Note 30.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent Events

Post-year-end events that provide additional information about a company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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3. Intangible Assets**Year 2004**

	Patents, Trademarks & Licenses	Loan & Mortgage Expenses	Negative Goodwill	Positive Goodwill	Develop. Costs	Other	Total
Cost							
January 1 st , 2004	21.053	8.239	(165.509)	2.985	5.577	17.977	(109.678)
Additions	11.567	-	-	-	1.614	104	13.285
Disposals	-	-	-	-	-	(63)	(63)
Perimeter Variation	-	-	-	225	38	846	1.109
Transfers	571	-	-	-	-	(891)	(320)
Other	-	-	-	-	-	-	0
Currency translation effects	(949)	(291)	-	-	(206)	(706)	(2.152)
December 31st 2004	32.242	7.948	(165.509)	3.210	7.023	17.267	(97.819)
Accumulated Amortization							
January 1 st , 2004	(11.365)	(1.981)	28.609	(1.070)	(1.821)	(5.294)	7.078
Additions	(1.604)	(1.490)	13.938	(298)	(1.290)	(3.192)	6.064
Disposals	-	-	-	-	-	-	-
Perimeter Variation	-	-	-	-	-	(273)	(273)
Transfers	-	-	-	-	-	344	344
Currency translation effects	464	179	-	-	83	285	1.011
December 31st, 2004	(12.505)	(3.292)	42.547	(1.368)	(3.028)	(8.130)	14.224
Net Book Value	19.737	4.656	(122.962)	1.842	3.995	9.137	(83.595)

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Year 2005

	Patents, & Licenses	Loan & Mortgage Expenses	Negative Goodwill	Positive Goodwill	Develop. Costs	Other	Total
Cost							
January 1 st , 2005	32.242	7.948	(165.509)	3.210	7.023	17.267	(97.819)
Additions	4.967	443	-	-	1.992	8.630	16.032
Disposals	-	-	-	-	-	-	-
Perimeter Variation	-	-	-	-	-	-	-
Transfers	(113)	768	-	(225)	-	76	506
Other	-	-	-	-	-	-	0
Currency translation effects	6.920	226	-	-	571	1.559	9.276
December 31st 2005	44.016	9.385	(165.509)	2.985	9.586	27.532	(72.005)
Accumulated Amortization							
January 1 st , 2005	(12.505)	(3.292)	42.547	(1.368)	(3.027)	(8.129)	14.226
Additions	(2.491)	(1.298)	13.938	(298)	(1.628)	(3.365)	4.858
Disposals	-	-	-	-	-	-	-
Perimeter Variation	-	-	-	-	-	-	-
Transfers	-	(648)	-	-	(17)	17	(648)
Currency translation effects	(1.040)	(99)	-	-	(200)	(717)	(2.056)
December 31st, 2005	(16.036)	(5.337)	56.485	(1.666)	(4.872)	(12.194)	16.380
Net Book Value	27.983	4.048	(109.024)	1.319	4.714	15.338	(55.625)

PATENTS, TRADEMARKS & LICENCES

Patents, Trademarks & Licenses mainly relate to: licenses utilized for production of acetate polymers and polyester resin; trademarks acquired from Shell in 2000; a license acquired in 2002 for the construction of the new Mexican plant; process know-how acquired in 2004 and 2005 by the plant in Mexico from the Italian R&D centre, owned by the related party Cobarr S.p.A., which allowed an increase of approximately 40% of nameplate capacity.

Licenses are depreciated over 10 - 20 years while patents over their average useful life (approximately 4-10 years), estimated based on the nature of the invention and the industrial process involved.

LOAN & MORTGAGE EXPENSES

Loan and Mortgage Expenses are amortized over the duration of the agreements to which they refer (9 and 3/7 years respectively).

The increase of the year is due to legal expenses incurred in 2005 for some modifications to the Notes agreement.

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NEGATIVE AND POSITIVE GOODWILL

Negative Goodwill already recorded in 2001 and in 2002 represents: (i) in the Mexican and Italian subsidiaries, the difference between investment cost and fair value of the identifiable assets acquired at the date of the transaction (June 1st, 2000); this is being depreciated on a straight line basis over the average useful life of the plants (18 years for the Mexican subsidiary and 15 years for the Italian one); (ii) in the Brazilian subsidiary, the difference between investment cost and the fair value of the identifiable assets acquired at the date of transaction (October 4, 2002); this is being depreciated on a straight line basis over the average residual useful lives of the plants (9 years).

In accordance with article 205 of the Luxembourg commercial law, MGI presents the Negative Goodwill in accordance with the International Accounting Standard applicable at the time of acquisition of the related subsidiaries. In the opinion of the Directors, this presentation best reflects the economic substance of the transaction and provides the reader with the utmost clarity.

Positive Goodwill is in the US subsidiaries related to the excess of investment cost over the net value of identifiable assets acquired at the date of the transaction (June 1st, 2000). Goodwill is being amortized on a straight line basis over 10 years.

DEVELOPMENT COSTS

The increase in Development costs mainly derive from R&D activities on new products and technologies performed by the Sharon Research Centre in Ohio. They are being amortized on a straight line basis over 5 years.

OTHER

Other intangible assets are related to: (i) merger and setting-up costs for the Luxembourg and Italian subsidiaries; they are being amortized over three and five years respectively, and (ii) capitalization of costs for the implementation of a new software within the MGI Group; these costs are being amortized over 5 years from the period the new software is available for use.

The increase of the year mainly refers to the purchase from the related party Cobarr S.p.a. of a licence for the utilization of a new SSP technology developed by MGI Group European Research center and made available to Polimeri Italia for its debottlenecking investments started in early 2006 (see note 19).

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4. Property, Plant and Equipment**Year 2004**

	Land & Buildings	Machinery & Equipments	Furniture & Vehicles	Work in Progress	Grants	Total
Cost						
January 1 st , 2004	120.431	846.577	18.293	24.773	(12.618)	997.456
Additions	3.190	3.204	324	15.528		22.246
Disposals	(15.907)	(24.757)	(163)	(3.559)	-	(44.386)
Perimeter Variation	799	3.742	25	167	-	4.733
Transfers	3.518	11.693	360	(15.988)	-	(417)
Currency translation effects	(4.583)	(47.826)	(1.186)	(1.117)	-	(54.712)
December 31st 2004	107.448	792.633	17.653	19.804	(12.618)	924.920
Accumulated Depreciation & Impairment Losses						
January 1 st , 2004	(59.077)	(444.909)	(15.210)	-	6.287	(512.909)
Depreciation of the year	(4.613)	(57.446)	(1.112)	-	642	(62.529)
Disposals	15.907	24.710	135	-	-	40.752
Perimeter Variation	(83)	(605)	(6)	-	-	(694)
Transfers/Others	(1.636)	1.891	(147)	-	-	108
Currency translation effects	2.038	28.443	1.064	-	-	31.545
December 31st, 2004	(47.464)	(447.916)	(15.276)	-	6.929	(503.727)
Net Book Value	59.984	344.717	2.377	19.804	(5.689)	421.193

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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Year 2005

	Land & Buildings	Machinery & Equipments	Furniture & Vehicles	Work in Progress	Grants	Total
Cost						
January 1 st , 2005	107.448	792.633	17.654	19.804	(12..618)	924.921
Additions	220	6.124	352	13.808	-	20.504
Disposals	(17)	(30)	(662)	-	-	(709)
Perimeter Variation	-	-	-	-	-	-
Transfers	1.620	24.253	844	(29.000)	-	(2.283)
Currency translation effects	10.075	104.131	2.515	2.382	-	119.103
December 31st 2005	119.346	927.111	20.703	6.994	(12.618)	1.061.536
Accumulated Depreciation & Impairment Losses						
January 1 st , 2005	(47.464)	(447.916)	(15.276)	-	6.929	(503.727)
Depreciation of the year	(6.496)	(54.158)	(1.059)	-	637	(61.076)
Disposals	2	30	552	-	-	584
Perimeter Variation	-	-	-	-	-	-
Transfers/Others	-	2.047	8	-	-	2.055
Currency translation effects	(4.533)	(59.065)	(2.207)	-	-	(65.805)
December 31st, 2005	(58.491)	(559.062)	(17.982)	0	7.566	(627.969)
Net Book Value	60.857	368.049	2.721	6.994	(5.052)	433.567

Investment book value of Acetati S.p.A. has been offset against the related share of its stockholders' equity as of the date the subsidiary was included in the consolidation for the first time (January 1st, 2000). The positive difference arising on consolidation has been allocated, based on the result of an independent appraisal, to the assets of the consolidated company and in particular to buildings, machinery and equipment. It is being depreciated on a straight-line basis over the average useful life of the related assets.

Land and Buildings / Machinery and Equipment

Transfers of Land and Buildings for € 1.620 and Machinery and Equipment for € 24.523 respectively are due to the completion of a series of improvement projects.

Work in progress

The increase of 2005 (in line with last year) is due to the sum of series of small maintenance projects distributed in all the sites.

Government Grants

An Italian subsidiary received government grants related to the construction and development of its chemical plants.

These grants are included in tangible assets and recognized as a deduction of depreciation of the related assets.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.**As of December 31, 2005***All amounts in thousands of Euro, unless otherwise indicated***5. Investments**

	December 31, 2005	December 31, 2004
Investments in subsidiaries – at cost	-	-
Other Investments - at cost	443	378
Total	443	378

Investments in other companies are principally in Mexican and Brazilian companies providing utility services.

6. Other Non-Current Assets

	December 31, 2005	December 31, 2004
Deferred tax assets	18.047	37.530
Related Party Sundry Receivables	26.118	32.911
Guarantee deposits	358	215
Total	44.523	70.656

Deferred tax assets are composed of and determined by (i) a tax loss carried forward in the Brazilian subsidiaries , (ii) temporary differences between tax booking and accounting booking and (iii) tax benefits from a revaluation for tax purposes of the Italian plants (see Note 28).

Related Party Sundry Receivables include receivable from M&G Packaging in connection with the sale of investments by M&G International to M&G Europe in 2002. This receivable bears interest at market rates and its value depends on the average EBITDA generated by the sold participations over the next five years. The decrease respect to 2004 is due to the reclassification inside Trade and Other receivable of the amount receivable from Italtel Preforme S.p.A. for the sale of land and buildings in 1994 (see Note 8)

7. Inventories Net

	December 31, 2005	December 31, 2004
Raw Materials, at cost	53.931	47.314
Finished Products, at cost	97.655	75.776
Process Materials & S.p.a.re Parts	24.601	20.495
Devaluation Allowance	(4.878)	(2.925)
	-----	-----
At Net Realizable Value	19.723	17.570
Prepaid supplier for Inventory	197	325
Work in Progress - at cost	10.503	11.592
Total	182.009	152.577

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

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The increase in Raw Material is mainly due a difference in exchange effect between USD and Euro that partially explains the increase in Finished products due also to normal commercial effects.

8. Trade and Other Receivables

	December 31, 2005	December 31, 2004
Trade Receivables	151.394	165.003
Bad Debt Provision	(1.298)	(1.166)
Financial Receivables	10.222	17.753
Sundry Receivables	6.089	10.424
Related Party Trade Receivables	80.467	1.991
Related Party Financial Receivables	7.104	5.918
Related Party Sundry Receivables	16.644	4.776
VAT Receivable	33.898	22.389
Tax Credits	9.978	13.158
Deferred tax asset – Current portion	14.604	5.301
Prepaid Suppliers	1.304	2.031
Total Trade & Other Receivables	330.406	247.578

Trade Receivables decreased from € 165,003 in 2004 to € 151,394 in 2005 due to normal commercial patterns.

Sundry Receivables decreased mainly due to (i) the partial collection of an insurance claim and (ii) the collection of a rebate in the Brazilian subsidiary.

Related Party Trade Receivables increased mainly due to (i) an increase of the sales of PTA to the affiliated company Italtel Preforme S.p.A of which the ultimate Italian holding company M. & G. Finanziaria Industriale S.p.a has acquired the control at the end of 2004; (ii) sales of significant volumes (€ 4,9 million) of new barrier resin from the US company to the related Italian Company Cobarr S.p.a. which operates as a converter and (iii) a supply resin (€ 22 million) from Europe to US in the last quarter of 2005 supporting local market strongly affected by Katrina. For custom duties optimization this supply has flown through the related party Cobarr S.p.a..

Related Party Financial Receivables relate to a loan to the ultimate Italian holding company M. & G. Finanziaria Industriale S.p.a., interest bearing at market conditions.

Related Party Sundry Receivables include mainly (i) the amount receivable from the ultimate Italian holding company for the transfer of the VAT credit, (ii) the amount receivable from the ultimate Italian holding company for the transfer of the Italian income tax (IRES) credit and (iii) and the amount receivables from the affiliated company Italtel Preforme S.p.A. for the sale of land and buildings in 1994 (see Note 6) which payment is due in 2006.

Deferred Tax Asset includes amounts of the Brazilian and Mexican subsidiaries related to tax loss carried forward, temporary differences between tax booking and accounting booking and part of the tax benefit due to the tax revaluation of the Italian plants (see Note 28).

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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9. Cash & Cash Equivalents

	December 31, 2005	December 31, 2004
Cash	98	58
Bank Accounts	139.489	120.600
Total	139.587	120.658

10. Prepaid Expenses & Accrued Income

	December 31, 2005	December 31, 2004
Prepaid Expenses related to Insurance Costs	1.760	1.658
Other Prepaid Expenses	2.802	1.883
Accrued Income	234	714
Total	4.796	4.255

11. Share Capital

	Share capital	Currency translation adjustments	Reserves	Retained earnings	Profit for the period	Total
December 31st, 2004	79.040	(96.997)	1.460	84.993	25.090	93.586
Share issue	-	-	-	-	-	-
Translation adjustments	-	38.513	-	-	-	38.513
Profit destination	-	-	-	25.090	(25.090)	-
Profit for the year	-	-	-	-	35.087	35.087
Dividends	-	-	-	-	-	-
Other increase/decrease, net	-	-	-	-	-	-
December 31st, 2005	79.040	(58.484)	1.460	110.083	35.087	167.186

As of December 31st, 2005 and 2004 the total subscribed and fully paid-in share capital amounted to € 79,040 consisting of 79,040 registered ordinary shares at a par value of € 1,000 each. The authorized capital of the Company totals 150,000 registered shares.

12. Currency translation adjustments

Currency translation adjustments reflect those translation adjustments arising from the consolidation of financial statements of foreign entities. The significant variation is due to the more stable Euro/Dollar Exchange rate.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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13. Reserves

Reserves mainly refer to a Special Reserve that can only be used to absorb the losses of MGI or to increase the share capital in conformity with articles 69-2 and 69-4 of the Luxembourg company law.

14. Minority interests

	Minority Interests	Currency translation adjustments	Minority Result	Total
December 31, 2004	61.130	(19.475)	4.326	45.981
Translation	-	11.366	-	11.366
Profit Destination	4.326	-	(4.326)	-
Profit for the year	-	-	1.393	1.393
Others	-	-	-	-
Dividends	(7.737)	-	-	(7.737)
December 31, 2005	57.719	(8.109)	1.393	51.003

Minority Interests are related to the Brazilian subsidiary.

Dividends are distributed to a minority shareholder involved in the production of PTA in Brazil.

15. Interest bearing Borrowings

	December 31, 2005	December 31, 2004
Secured		
Other Bank Loans	-	7.342
Total Secured Loans	-	7.342
 Senior Notes	 155.487	 165.918
Interbanca Loan	58.000	51.000
Other Bank Loans	7.786	6.080
Total Unsecured Loans	221.273	222.998
 Total Interest Bearing Borrowings	 221.273	 230.340

During 2002 the Group has issued Senior Notes on the Private Placement in the US Market for a total amount of US\$ 250 million), of which US\$ 120 million will be amortized over 7 years and US\$ 130 million over 10 years.

During the year 2005 US\$ 24 million have been reimbursed based on the amortization schedule.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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Senior Notes amortization schedule is as follows:

2006	36.086
2007	36.086
2008	36.086
2009	36.086
2010	15.742
2011	15.742
2012	15.743
	<u>191.572</u>

The Senior Notes bear fixed rate interest, payable semi-annually in April and October. The Senior Notes Agreement requires that MGI Group respects some financial covenants based on EBITDA, indebtedness and equity.

Amounts payable in 2006 is included in Note 20 "Current portion of Interest Bearing Borrowings".

Other Secured Bank Loans refer exclusively to Acetati S.p.A. and they are fully included in 2005 in Note 20 "Current portion of Interest Bearing Borrowings".

Interbanca Loan of € 58,000 is a Long term facility agreement with a final maturity date in 2009. It bears interest at Euro LIBOR plus spread. It is a dual currency loan (Euro/Dollar).

16. Retirement Benefit Obligations

	December 31, 2005	December 31, 2004
Defined Benefit Plans hourly	19.923	19.664
Defined Benefit Plans salary	885	231
Reserve for Termination Indemnities	2.986	2.672
	23.794	22.567

Defined Benefit Plans

The US subsidiary provides a defined benefit pension plan and a separate post-retirement medical benefit plan for its hourly and salary union employees.

Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependant pensions. Benefits are dependent on years of service and the respective employee's compensation.

The obligation resulting from defined benefit pension plans is determined using the projected unit credit method. Unrecognized gains and losses resulting from changes in actuarial assumptions are recognized as income (expense) over the expected remaining service life of the active employees.

The following tables reconcile the funded status of defined benefit plans to the amounts recognized in the balance sheet. All amounts are in thousands of US\$ unless otherwise indicated.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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All amounts in thousands of Euro, unless otherwise indicated

	Pension Plan	Post-Retirement Medical Plan
Change in benefit obligations		
Present value of defined benefit obligations, beginning of period	47.767	27.968
Current service cost	241	233
Interest expense on obligations	2.648	2.117
Amendment	220	-
Benefits paid	(3.354)	(2.977)
Actuarial loss/(gain)	(904)	1.813
Amortization of prior service costs	-	(1.383)
Miscellaneous Adjustment	-	(1.480)
Present value of defined benefit obligations, year-end	\$ 46.618	\$ 26.291

Change in plan assets

	Pension Plan
Fair value of plan assets, beginning of period	35.299
Expected return on plan assets	2.811
Actuarial gain (loss)	(944)
Employer contributions	2.759
Benefits paid	(3.354)
	\$ 36.571

	Pension Plan	Post-Retirement Medical Plan
Present value of defined benefit obligations	46.617	26.291
Fair value of plan assets	(36.570)	-
Present value of unfunded benefit obligations	10.047	26.291
Unrecognized actuarial gains/losses	(12.833)	-
Unrecognized past service cost	-	-
Net liability (asset) in the balance sheet	\$ (2.786)	\$ 26.291
Net liability (asset) in the balance sheet Euro	€ (2.361)	€ 22.286

According to IAS 19, MGI Group has not recognized actuarial losses exceeding 10% of present value of the previous reporting period defined benefit obligations.

Net periodic pension expense is comprised of the following:

	Pension Plan	Post-Retirement Medical Plan
Amounts recognized in the statements		
Current service cost	241	233
Interest expense on obligations	2.648	2.117
Loss on Plan Assets / Net Amortization & Deferral	(2.035)	430
Unrecognized prior service cost	303	-

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

Total pension expense	\$ 1.157	\$ 2.780
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The movements in the liability recognized in the balance sheet are as follows:

	Pension Plan	Post-Retirement Medical Plan
Defined benefit liability, beginning of period	(1.184)	27.968
Current service cost	241	233
Interest expense on obligations	2.648	2.117
Expected return on plan assets	(2.811)	-
Amortization of losses and prior service cost	776	430
Contributions/benefits paid	(2.759)	(2.977)
Unrecognized prior service cost	303	-
Miscellaneous Adjustment	-	(1.480)
Defined benefit liability (asset), year-end	\$ (2.786)	\$ 26.291

Principal actuarial assumptions used to determine pension obligations as of December 31, 2005 are the following:

	Pension Plan	Post-Retirement Medical Plan
Discount rate	6%	6%
Expected return on plan assets	8%	-

Reserve for Termination Indemnities

Italian law requires an indemnity to be paid to personnel upon termination of employment. As of December 31, 2005 the related reserve reflects the amount to be accrued according to the provisions of the applicable law and the labor contracts.

The law requires the annual provision to be equal to 1/13,5 of the compensation of the year plus a revaluation of the prior period provisions on the basis of 75% of the annual percentage increase in the official Italian cost of living, plus 1,5%.

	Termination Indemnities
Balance at January 1, 2005	2.672
Provisions made during the year	878
Provisions used during the year	(564)
Balance at December 31, 2005	2.986
Current portion of provisions	-
Non-current portion of provisions	2.986

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

17. Provisions

	Recycle	Prov. Shutdown & Maint.	Prov. Risks & Charges	Others	Total
Balance at January 1, 2005	335	1.292	354	7.759	9.740
Provisions made during Year	-	1.122		29.086	30.209
Provisions reversed during	-	-	(365)	-	(365)
Provisions used during Year	-	(2.542)	-	(796)	(3.338)
Currency Translation effect	-	737	11	4.680	5.428
Others	-	36	-	100	135
Balance at December 31, 2005	335	645	-	40.830	41,809
Current Portion of Provision	-	645	-	-	645
Non - Current Portion of Provision	335	-	-	40.830	41.164

Recycle

The provision is related to a possible future payment for recycling contributions to the Italian Replastic Association. Payment is based on the volume of the goods sold in previous years.

Provision for Shutdown & Maintenance

In Brazil, maintenance budgeted expenses are accrued over the period between two maintenance shutdowns. The provision is related to the maintenance shutdown planned for 2006.

The decrease in the provision is mainly due to the shutdown occurred in the Brazilian plant producing PTA and fibers in August and November of 2005, respectively.

Others

Other funds principally refer to provisions made for litigations, claims and related charges.

In line with other Brazilian companies' treatment, € 29 million have been provisioned during 2005 in M&G's Brazilian subsidiaries for potential tax liabilities linked to some general interpretational aspects of the law which still need to be clarified by the local courts. For prudential reasons management decided to make such a provision while waiting for the outcome of the Brazilian supreme court, now being awaited for over three years.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.**As of December 31, 2005***All amounts in thousands of Euro, unless otherwise indicated***18. Trade & Other Payables**

	December 31, 2005	December 31, 2004
Trade Payables	325.449	310.820
Tax Payable	25.112	25.343
Wages and Social Security Payable	9.170	7.400
Related Party Trade Payables	14.731	5.960
Related Party Sundry Payables	603	7818
Advances from Customers	4.013	6.289
Other Financial Payables	5.682	2.000
Agents Payables	1.196	813
Conai Payable	363	285
Others	1.934	678
Group Tax Payable	-	755
Total Trade & Other Payables	388.253	368.161

Trade payables increased from € 310.820 in 2004 to € 325.449 in 2005 due to normal commercial patterns.

Tax Payable mainly include income tax payables for the year 2005 and VAT payable.

Related Party Trade Payables stem from (i) the purchase from the related party Cobarr S.p.A. of a licence for the utilization of a new SSP technology developed by MGI Group European Research center and made available to Polimeri Italia for its debottlenecking investments started in early 2006 and (ii) to services provided by M. & G. Finanziaria Industriale srl.

The decrease in Related Party Sundry Payables is mainly due to the payment of the know-how acquired in 2004 by Mexican subsidiary from Cobarr S.p.A. for USD 7.500.

Other Financial Payables are related to the amounts due to financial institutions for commissions and fees and the mark to market evaluation of the Brazilian derivative agreements to cover potential Reais devaluation.

Conai payable represents the contribution to the local recycling association to be made by the Italian subsidiaries. The amount depends on the volume of production.

19. Current Portion of Interest Bearing Borrowings

	December 31, 2005	December 31, 2004
BOA Loan - Current portion	42.384	63.138
Senior Notes - Current portion	36.086	17.620
Interbanca Loan - Current portion	22.000	-
Other Bank Loans - Current portion	8.476	3.600
Due to Banks	9.725	12.095
Total Current Portion of Interest Bearing Borrowings	118.671	96.453

The repayment will be made in 2006 using mainly the cash available (see Note 9).

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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20. Deferred Income & Accrued Expense

	December 31, 2005	December 31, 2004
Accrued Interest on Senior Notes	3.178	3.056
Accrued Interest on Bank of America Loans	542	1.150
Accrued Interest on Interbanca Loan	535	993
Accrued Interest on Other Bank Loans	107	161
Insurance Charge	-	-
Others	1.286	1.595
Total Deferred Income & Accrued Expenses	5.648	6.955

21. Other Operating Income

	December 31, 2005	December 31, 2004
Recoveries	1.214	5.431
Prior year gains	2.053	2.657
Other income	3.110	1.548
Insurance claim	-	10.339
Provision Reversal	427	5.998
Royalties	-	75
Total Other Operating Income	6.804	26.048

Recoveries refer mainly to services and utilities to related parties.

Prior year gain in 2005 mainly includes the agreed adjustment to the cost of certain services performed by the ultimate holding company M&G Finanziaria S.p.a..

Other income mainly includes the proceeds from claim against a supplier successfully closed during the year 2005.

22. Raw Materials & Consumables Used

	December 31, 2005	December 31, 2004
Changes in Raw Materials	273	(12.585)
Changes in Process Materials & S.p.a.re Parts	(2.556)	(14.286)
Purchases of Raw Materials, Process & S.p.a.re Parts	1.236.375	1.064.406
Total Raw Materials & Consumables Used	1.234.092	1.037.535

The increase of the raw materials and consumable used is in line with the increase of the volumes incurred during the year 2005.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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23. Services & Other External Charges

	December 31, 2005	December 31, 2004
Freight Costs	52.167	57.036
3 rd Parties Services Fees	8.511	10.783
Sales Commissions	5.028	8.444
Other Costs on Purchases	3.824	4.179
Corporate and Group Fees	19.766	18.724
Maintenance Charges	7.339	14.327
Insurance Costs	5.961	5.235
General Office Services	3.268	3.736
Travel Expenses	4.251	3.863
Other Fixed Cost	17.076	14.095
Other Variable Cost	3.849	4.206
Total Services & Other External Charges	131.040	144.628

The decrease in Freight Costs and 3rd Parties Services Fees is mainly due to a rationalization action performed on the distribution process.

The decrease in Sales Commission is partially due to a different classification of the related costs into Net Turnover.

The decrease in Maintenance Charges is due to a decrease of the maintenance activity performed by the Group companies during the year 2005.

24. Staff Costs and Average Number of Employees

	December 31, 2005	December 31, 2004
Wages and Salaries	44.317	37.478
Social Security Costs	11.444	9.819
Employee Termination Indemnity	4.149	6.738
Other Personnel Expenses	3.395	3.245
Total Staff Costs	63.305	57.280

The average number of employees for 2005 is:

	2005	2004
Europe	292	288
North America	217	242
Mexico	290	282
Brazil	926	936
	1.725	1.748

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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25. Depreciation, Amortization & Provision

	December 31, 2005	December 31, 2004
Property, Plant & Equipment	61.077	65.648
Intangible Assets	(4.857)	(6.063)
Provision for bad Debt	100	-
Other Allowances	1.356	2.503
Total Depreciation, Amortization & Provision	57.676	62.088

26. Other Operating Expenses

	December 31, 2005	December 31, 2004
Local Taxes	1.075	1.150
Prior Year Expenses	152	470
Loss on Credits	110	334
Subscriptions	256	282
Penalties	28	1
Donations & Sponsorships	217	219
Other Expenses	3.923	6.345
Total Other Operating Expenses	5.761	8.801

27. Financial Result

	December 31, 2005	December 31, 2004
Foreign Currency Exchange Gains	107.745	63.347
Interest Income from Related Parties	1.727	1.625
Interest Income	9.092	2.476
Other Financial Income	3.719	5.442
Total Financial Incomes	122.283	72.890
Foreign Currency Exchange Losses	(128.265)	(59.521)
Interest Expense on Borrowings	(21.212)	(24.032)
Interest due to Related Parties	(114)	(15)
Other Financial Expenses	(20.488)	(12.845)
Total Financial Expenses	(170.079)	(96.413)
Net Financial Result	(47.796)	(23.523)

The variation in Foreign Currency Exchange Gains and Losses is mainly due to the fluctuation of the Euro/Dollar, Pesos/USD and in particular Reais/USD (13%) exchange rate.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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28. Income Taxes

	December 31, 2005	December 31, 2004
Current Tax Expenses	13.133	14.481
Substitute Tax	-	-
<i>Deferred Tax Effects relating to the origination and Reversal of</i>		
- Provision to Deferred Tax Liability	9.771	38.838
- Reversal of Deferred Tax Liability	(16.602)	(31.884)
- Accounting for Deferred Tax Asset	(11.628)	(38.275)
- Reversal of Deferred Tax Asset	27.830	23.016
Total	22.504	6.176

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	December 31, 2005	December 31, 2004
Accounting profit	58.984	35.592
Tax at the applicable tax rate (30,38% in 2005) - (30,38% in 2004)	17.919	10.813
Differences related to the different tax rates	1.572	1.300
Differences related to the tax asset on losses to be carried-forward	5.399	1.030
Differences related to the tax asset recognition	1.452	(11.722)
Differences related to local taxes	473	1.547
Permanent differences & differences on consolidated entries	(4.311)	3.208
Tax charge per statutory books	22.504	6.176

For the new Mexican plant entered into operations at the end of 2003 the Group has decided to take advantage of the tax benefit granted by local regulations to anticipate, for tax purposes only, the whole depreciation of the asset. In accordance with these regulations part of the asset value is consequently not deductible for tax purposes. Accordingly, since no deferred taxes have been recorded on this temporary difference, the related tax effect would be recognized during the depreciation period of the asset.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

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Components of deferred tax liability are as follows:

Year 2004

	January 1, 2004	Credited/ (charged) to PL	Perimeter variation	Transfers/ Other	Translation Effect	December 31, 2004
Deferred tax asset						
Other temporary differences	2.923	(201)	36	-	(169)	2.589
Tax loss carried-forward	22.302	16.607	-	-	(2.972)	35.937
Tax benefit on Tax Revaluation	5.452	(1.147)	-	-	-	4.305
Total deferred tax asset	30.677	15.259	36	-	(3.141)	42.831
Current portion	5.753					5.301
Non-current portion	24.924					37.530
Deferred tax liability						
Tax over book depreciation	(36.774)	(15.336)	-	-	2.837	(49.273)
Other temporary Differences	(21.690)	8.382	-	1.420	1.244	(10.644)
Total deferred tax liability	(58.464)	(6.954)	-	1.420	4.081	(59.917)
Current portion	(26.956)					(11.685)
Non-current portion	(31.508)					(48.232)
Net deferred tax liability	(27.787)	8.305	36	1.420	940	(17.086)

Year 2005

	January 1, 2005	Credited/ (charged) to PL	Perimeter variation	Transfers/ Other	Translation Effect	December 31, 2005
Deferred tax asset						
Other temporary differences	2.589	9.059	-	8.184	861	20.693
Tax loss carried-forward	35.937	(24.164)	-	(8.184)	5.161	8.750
Tax benefit on Tax Revaluation	4.305	(1.097)	-	-	-	3.208
Total deferred tax asset	42.831	(16.202)	-	-	6.022	32.651
Current portion	5.301					14.604
Non-current portion	37.530					18.047
Deferred tax liability						
Tax over book depreciation	(49.273)	4.534	-	-	(6.865)	(51.604)
Other temporary Differences	(10.644)	2.297	-	-	(2.118)	(10.465)
Total deferred tax liability	(59.917)	6.831	-	-	(8.983)	(62.069)
Current portion	(11.685)					(12.968)
Non-current portion	(48.232)					(49.101)
Net deferred tax liability	(17.086)	(9.371)	-	-	(2.961)	(29.418)

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

29. Segment Information

Segment information is prepared on the following basis:

A. Business segments

From a business point of view the MGI Group is organized internally in one business area (Polymers) with two business units: PET resin and Acetate.

The "Others" segment includes the activity of the holding company (MGI).

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

Business Segment Data**Year 2004**

	PET Resin	Acetates	Others	Intra Segments Elimination & Conso Entry	Consolidated F/S
INCOME STATEMENT:					
External sales	1.314.144	42.937	-	(2.000)	1.355.081
Internal segment sales	145.659	-	-	(145.659)	-
Total revenues	1.459.803	42.937	-	(147.659)	1.355.081
Segment result	66.535	(5.883)	(2.270)	-	58.382
Consolidated records	(15.537)	(44)	-	16.314	733
Operating profit	50.998	(5.927)	(2.270)	16.314	59.115
CASH-FLOW STATEMENT:					
Depreciation, Amortization & Provision	(70.425)	(4.064)	(447)	12.848	(62.088)
Capital Expenditure	14.053	8.193	-	-	22.246
BALANCE SHEET:					
Total operating assets	1.274.409	41.189	89.054	-	1.404.652
Consolidated records	(338.015)	18.989	(23.346)	(128.580)	(470.952)
Consolidated Total Assets	936.394	60.178	65.708	(128.580)	933.700
Total operating liabilities	950.893	31.028	158.339	-	1.140.260
Consolidated records	(235.080)	(1.664)	(105.629)	(3.754)	(346.127)
Consolidated Total Liabilities	715.813	29.364	52.710	(3.754)	794.133
OTHER INFORMATION:					
Employees	1.587	160	1	-	1.748
Labour cost	50.495	6.765	20	-	57.280

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

Year 2005

	PET Resin	Acetates	Others	Intra Segments Elimination & Conso Entry	Consolidated F/S
INCOME STATEMENT:					
External sales	1.527.266	51.644	-	3.867	1.582.777
Internal segment sales	234.838	-	-	(234.838)	-
Total revenues	1.762.104	51.644	0	(230.971)	1.582.777
Segment result	101.793	(3.393)	(3.866)	0	94.534
Consolidated records	668	0	0	11.578	12.246
Operating profit	102.461	(3.393)	(3.866)	11.578	106.780
CASH-FLOW STATEMENT:					
Depreciation, Amortization & Provision	(66.006)	(4.300)	(659)	13.289	(57.676)
Capital Expenditure	15.283	5.221	-	-	20.504
BALANCE SHEET:					
Total operating assets	1.545.606	61.535	196.221	-	1.803.362
Consolidated records	(456.620)	(1.125)	(147.865)	(118.046)	(723.656)
Consolidated Total Assets	1.088.986	60.410	48.356	(118.046)	1.079.706
Total operating liabilities	1.148.809	53.949	283.309	-	1.486.067
Consolidated records	(368.402)	(21.202)	(230.012)	(4.934)	(624.550)
Consolidated Total Liabilities	780.407	32.746	53.297	(4.934)	861.517
OTHER INFORMATION:					
Employees	1.559	165	1		1.725
Labour cost	55.710	7.998	18	(421)	63.305

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

B. Geographical segments

The MGI Group's activities are conducted predominantly in NAFTA, Europe and Brazil.

Year 2004

	Europe	NAFTA	BRAZIL	Intra Segments Elimination & Conso Entry	Consolidated F/S
INCOME STATEMENT:					
External sales	339.358	719.250	329.260	(32.787)	1.355.081
Internal segment sales		114.872	-	(114.872)	-
Total revenues	339.358	834.122	329.260	(147.659)	1.355.081
Segment result	(8.102)	28.250	38.234	-	58.382
Consolidated records	-	(12.266)	(3.315)	16.314	733
Operating profit	(8.102)	15.984	34.919	16.314	59.115
CASH-FLOW STATEMENT:					
Depreciation, Amortization & Provision	(13.044)	(32.838)	(29.054)	12.848	(62.088)
Capital Expenditure	9.423	8.961	3.862	-	22.246
BALANCE SHEET:					
Total operating assets	352.322	689.432	362.898	-	1.404.652
Consolidated records	(105.769)	(236.526)	(77)	(128.580)	(470.952)
Consolidated Total Assets	246.553	452.906	362.821	(128.580)	933.700
Total operating liabilities	349.018	573.888	217.354	-	1.140.260
Consolidated records	(107.417)	(186.088)	(48.868)	(3.754)	(346.127)
Consolidated Total Liabilities	241.601	387.800	168.486	(3.754)	794.133
OTHER INFORMATION:					
Employees	288	524	936	-	1.748
Labour cost	14.267	27.595	15.418	-	57.280

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

Year 2005

	Europe	NAFTA	BRAZIL	Intra Segments Elimination & Conso Entry	Consolidated F/S
INCOME STATEMENT:					
External sales	377.443	861.193	348.126	(3.985)	1.582.777
Internal segment sales	243.819	226.986	0	(470.805)	-
Total revenues	621.262	1.088.179	348.126	(474.790)	1.582.777
Segment result	(7.648)	78.304	23.878	-	94.534
Consolidated records	(2.955)	6.412	(2.789)	11.578	12.246
Operating profit	(10.603)	84.716	21.089	11.578	106.780
CASH-FLOW STATEMENT:					
Depreciation, Amortization & Provision	(13.128)	(27.488)	(30.349)	13.289	(57.676)
Capital Expenditure	8.093	6.361	6.050	-	20.504
BALANCE SHEET:					
Total operating assets	539.182	851.589	412.591	-	1.803.362
Consolidated records	(243.183)	(359.570)	(2.857)	(118.046)	(723.656)
Consolidated Total Assets	295.999	492.019	409.734	(118.046)	1.079.706
Total operating liabilities	559.475	671.432	255.160	-	1.486.067
Consolidated records	(316.372)	(246.893)	(56.351)	(4.934)	(624.550)
Consolidated Total Liabilities	243.103	424.539	198.809	(4.934)	861.517
OTHER INFORMATION:					
Employees	292	507	926		1.725
Labour cost	15.893	26.532	21.301	(421)	63.305

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

30. Financial Instruments

Credit risks

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. The extent of the subsidiary's credit exposure is represented by its aggregate balance of accounts receivable. The MGI Group monitors its counterparties to ensure that none of them fail to meet their obligations.

Interest rate and foreign exchange risks

The MGI Group uses interest rate swaps and forward rate agreements in order to manage and reduce its exposure to fluctuations in interest rates and foreign currency exchange rates.

The notional amount covered by the interest rate swaps is US\$ 126.000.000 and is amortized over a period ending in March 2009/2012. The fair value of this instruments amounts to US\$ 1.868.922

The notional amount of the forward rate agreements made in the Brazilian subsidiaries to cover the fluctuation of the exchange rate USD/Reais is around US\$ 57 million. The fair value of these instruments is equal to \$ 5.006.000

Fair value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments and other non-current assets

The carrying amount of cash and other financial assets is assumed to approximate fair value due to the short term maturity of these financial instruments.

Short-term borrowings

The carrying amount is assumed to approximate fair value due to the short period to maturity of these instruments.

Long-term borrowings

The fair value of the long term loans is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile.

The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

31. Commitments

The are no significant commitments arising from contracts for expenditures on property, plant and equipment as of December 31st, 2005.

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

32. Contingent Liabilities

Various legal actions and claims are pending or may be asserted in the future against MGI Group companies from litigation and claims incurred during the ordinary course of business. These mainly include matters relating to warranties, personal injury, damages to property and infringement on intellectual property rights. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision management believes that no material liabilities are likely to result. In the event that any liability would emerge, Management is confident that provisions set aside (Note 17) are fully adequate.

33. Related Party Transactions

The MGI Group has entered into a variety of transactions with its related parties. The MGI Group enters into transactions in the normal course of business on an arm's-length basis. The most significant of these transactions in 2005 are as follows:

1. Sales of semi finished products and utilities to the associated company Italtel Preforme S.p.A. amounted to approximately € 95.929 (see Note 8)
2. Sales of materials to Cobarr S.p.A. amounted to € 50.498 (see Note 8)
3. Purchase of materials from Cobarr S.p.A. amounted to approximately € 23.160 (see Note 18)
4. Tolling fees paid to Cobarr S.p.A. for approximately € 4.445
5. Overhead costs and corporate fees from headquarters of approximately € 12.862 allocated as a component of services and other external charges in the financial statements of each subsidiary;
6. Interest income on intercompany loans with the holding company M. & G. Finanziaria Industriale S.p.A. of approximately € 280;
7. Interest income - as described in note 6 and 8 - with Italtel Preforme S.p.A. amounted to approximately € 788 and with the company M&G Packaging S.à.r.l. to € 548;
8. Purchase of process know-how by Mexican plant from Cobarr S.p.A. (\$ 5 million), which allowed an increase of approximately 40% of nameplate capacity.

The balance sheet includes the following amounts resulting from transactions with associated companies:

	December 31, 2005	December 31, 2004
Related party non current sundry receivables	26.118	32.911
Related party trade receivables	80.467	1.991
Related party financial receivables	7.104	5.918
Related party sundry receivables	16.644	4.602
Related party trade payables	14.731	5.960
Related party sundry payables	603	7.818

For "Related party non current sundry Receivables" see Note 6.

For "Related party trade Receivables", "Related party financial receivables" and "Related party sundry receivables" see Note 8.

For "Related party trade payables" see Note 18.

Emoluments of the Board of Directors:

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated

The emoluments paid to Directors during 2005 amount to € 325.

34. List of Subsidiaries Consolidated

Year 2005

Entity	Place of Incorporation	Principal Activities	Ownership Interest	Notes
Mossi & Ghisolfi International S.A.	Luxembourg	Parent company	-	-
Acetati S.p.A.	Italy	Production	100,00 %	(3)
M&G Polimeri Italia S.p.A.	Italy	Production	100,00 %	(1)
Crystal Polymers Ltd	United Kingdom	Production	100,00 %	(1)
M&G USA Corporation	U.S.A.	Holding	100,00 %	(2)
M&G Polymers USA LLC	U.S.A.	Production	100,00 %	(1)
M&G USA Holding LLC	U.S.A.	Holding	100,00 %	(2)
M&G Finance Corporation	U.S.A.	Holding	100,00 %	(2)
M&G Mexico Holding S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
M&G Polimeros Mexico S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
Servicios Tamaulipas S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
M&G POLIESTER S.A.	Brazil	Production	88,446 %	(4)
M&G Fibras e Resinas Ltda.	Brazil	Production	88,446 %	(4)
M&G Resinas de Pernambuco S.A.	Brazil	Production	88,446 %	(4)
RECIPET Revalorizacao de Produtos Ltd	Brazil	Production	88,446 %	(4)
Rhodiaco Industrias Quimicas Ltda.	Brazil	Production	45,108 %	(4)
M&G BRBA Industria e Comercio SA	Brazil	Holding	100,00 %	(5)

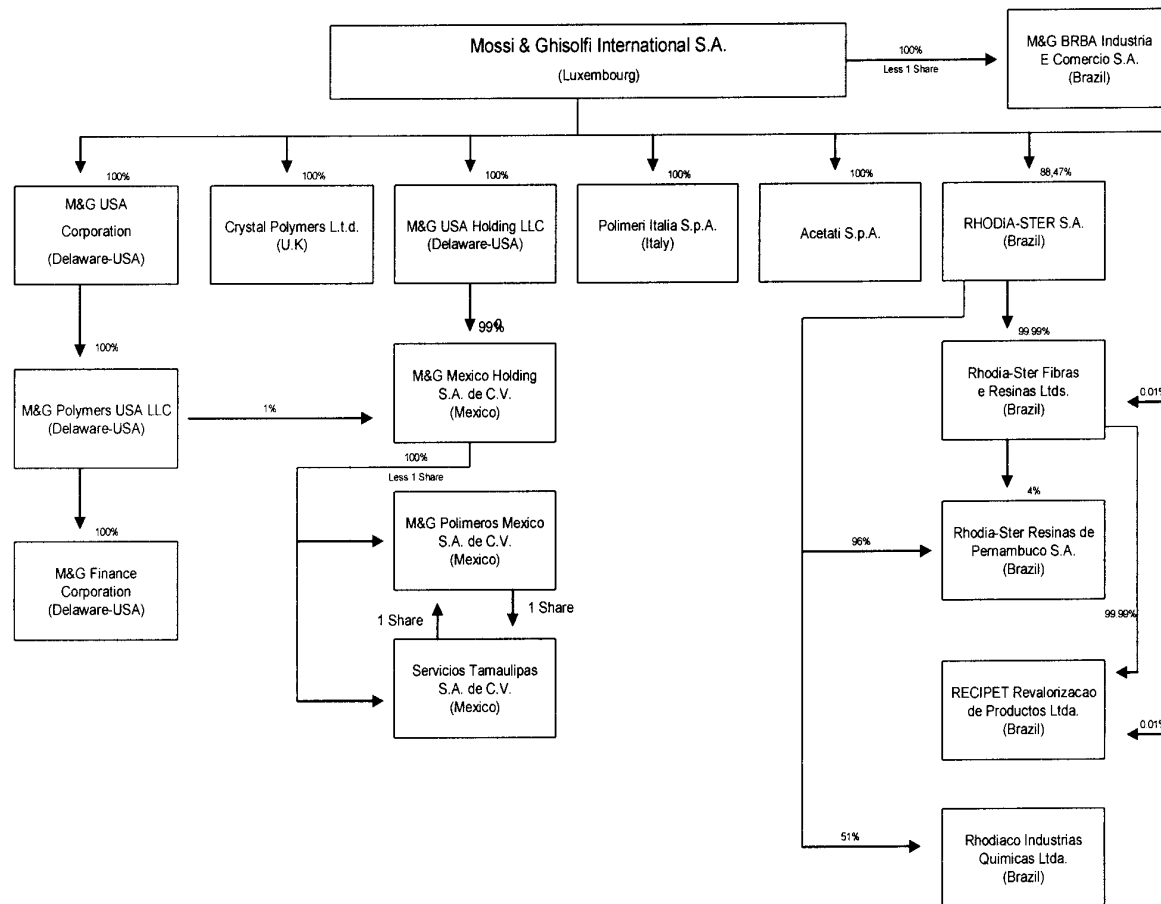
Notes:

- 1) Consolidated operations since the acquisition date (June 1st, 2000)
- 2) Consolidated operations since the incorporation date
- 3) Consolidated operations since the date of first consolidation (January 1st, 2000)
- 4) Consolidated operations since the acquisition date (October 4th 2002)
- 5) Consolidated operations since the acquisition date (December 2005)

Notes to Consolidated Financial Statements MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2005

All amounts in thousands of Euro, unless otherwise indicated



REPORT of the *Commissaire*

To the Shareholders of
Mossi & Ghisolfi International S.A.

We have audited the accompanying consolidated balance sheet of Mossi & Ghisolfi International S.A. as of December 31, 2004 and the related statements of income and cash flows for the year then ended and we have read the related consolidated management report. These consolidated financial statements and the consolidated management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to check the consistency of the consolidated management report with them.


We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors in preparing the consolidated financial statements, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above give, in conformity with the legal and regulatory requirements in Luxembourg, a true and fair view of the assets, liabilities and consolidated financial position of Mossi & Ghisolfi International S.A. as of December 31, 2004 and the consolidated results of its operations and its cash flows for the year then ended.

The consolidated management report is consistent with the consolidated financial statements

DELOITTE S.A.
Commissaire

E. Schmit
Partner



March 25, 2005

Audit, Tax, Consulting, Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Société Anonyme
RCS Luxembourg B 87.895
Autorisation d'établissement n° 88607

Consolidated Balance Sheet MOSSI & GHISOLFI INTERNATIONAL S.A.

As at December 31st, 2004

(in thousands of currency unit)

		2004	2003
	Notes	€	€
<hr/>			
NON CURRENT ASSETS:			
Intangible Assets	3	(83.595)	(102.600)
Property, Plant & Equipment	4	421.193	484.547
Investments	5	378	401
Other Non Current Assets	6	70.656	62.735
TOTAL NON CURRENT ASSETS		<hr/> 408.632	<hr/> 445.083
 CURRENT ASSETS:			
Inventories Net	7	152.577	152.212
Trade & Other Receivables	8	247.578	203.221
Cash & Cash Equivalents	9	120.658	111.958
		<hr/> 520.813	<hr/> 467.391
PREPAID EXPENSES & ACCRUED INCOME	10	4.255	3.470
TOTAL ASSETS		<hr/> 933.700	<hr/> 915.944

The accompanying notes are an integral part of these financial statements

Consolidated Balance Sheet MOSSI & GHISOLFI INTERNATIONAL S.A.

As at December 31st, 2004

(in thousands of currency unit)

		2004	2003
	Notes	€	€
CAPITAL & RESERVES :			
Issued Capital	11	79.040	79.040
Currency Translation Adjustments	12	(96.997)	(82.660)
Reserves	13	1.460	518
Retained Earnings	14	84.993	72.052
Profit for the Year		25.090	25.883
TOTAL CAPITAL & RESERVES		93.586	94.833
Minority Interests	15	45.981	52.179
NON CURRENT LIABILITIES:			
Interest Bearing Borrowings	16	230.340	387.866
Retirement Benefit Obligation	17	22.567	25.750
Deferred Taxes	29	48.232	31.508
Provisions	18	8.612	9.281
TOTAL NON CURRENT LIABILITIES		309.751	454.405
CURRENT LIABILITIES:			
Trade & Other Payables	19	368.161	268.091
Current Portion of Interest Bearing Borrowings	20	96.453	12.219
Deferred Taxes	29	11.685	26.956
Provisions	18	1.128	570
TOTAL CURRENT LIABILITIES		477.427	307.836
DEFERRED INCOME & ACCRUED EXPENSES	21	6.955	6.691
TOTAL EQUITY AND LIABILITIES		933.700	915.944

The accompanying notes are an integral part of these financial statements

Consolidated Income Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As at December 31st, 2004

(in thousands of currency unit)

		2004	2003
	Notes	€	€
Net turnover		1.355.081	1.064.294
Changes in Inventories of Finished Goods & Work in Progress		(8.482)	40.742
Work performed by the enterprise and capitalized		5.286	4.249
Other Operating Income	22	26.048	60.634
		<u>1.377.933</u>	<u>1.169.919</u>
Raw Material & Consumables Used	23	(1.037.535)	(832.867)
Services & Other External Charges	24	(144.628)	(124.491)
Leases		(8.486)	(9.162)
Staff Costs	25	(57.280)	(61.188)
Depreciation, Amortization & Provisions	26	(62.088)	(61.243)
Other Operating Expenses	27	(8.801)	(5.578)
		<u>(1.318.818)</u>	<u>(1.094.529)</u>
OPERATING PROFIT		<u>59.115</u>	<u>75.390</u>
Financial Result	28	(23.523)	(40.123)
Extraordinary Result		-	-
PROFIT BEFORE TAX		<u>35.592</u>	<u>35.267</u>
Income Tax Expense	29	(6.176)	(6.292)
PROFIT AFTER TAXES		<u>29.416</u>	<u>28.975</u>
MINORITY INTERESTS		<u>(4.326)</u>	<u>(3.092)</u>
NET PROFIT FOR THE YEAR		<u>25.090</u>	<u>25.883</u>

The accompanying notes are an integral part of these financial statements

Consolidated Cash Flow Statements **MOSSI & GHISOLFI INTERNATIONAL S.A.**For the year ended December 31st, 2004 and 2003

(in thousands of currency unit)

	2004	2003
	€	€
CASH FLOW FROM OPERATIONS		
CASH FLOW BEFORE WC CHANGES:	90.484	91.131
Profit for the period	25.090	25.883
Depreciation, Amortization & Provision	62.649	61.736
Minority result of the period	4.326	3.092
Gain on Disposals	-	-
Other Non-Cash Items	(1.581)	400
CHANGES IN WORKING CAPITAL	28.910	(20.261)
NET CASH PROVIDED BY OPERATIONS	119.394	70.870
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in:		
- Fixed Assets	(34.953)	(38.336)
- Subsidiaries of which:		
for acquisition of Expedio Otto Equity	(4.814)	-
- Other	4.700	(47)
	(35.067)	(38.383)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Borrowings - Third Parties	9.026	80.000
(Repayments) of borrowings - Third parties	(62.018)	(97.290)
(Repayments) of Other Non Current Liabilities	-	(10.066)
(Payments) of Dividends - Third Parties	(3.767)	(5.301)
(Payments) of Dividends - Parent Company	(12.000)	-
	(68.759)	(32.657)
 Difference in Exchange Rate	 (6.868)	 (7.291)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	8.700	(7.461)
Cash & Cash Equivalent at the beginning of the period	111.958	119.419
Cash & Cash Equivalent at the end of the period	120.658	111.958

The above figures cannot be directly traced from the balance sheet without additional information as a result of acquisition and disposal of assets, change in the scope of consolidation and net foreign exchange differences arising on consolidation.

The accompanying notes are an integral part of these financial statements

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2004

All amounts in thousands of Euro, unless otherwise indicated

1. General

Mossi & Ghisolfi International S.A. ("MGI" or "The Company") is incorporated in Luxembourg. The registered office address of the Company is Boulevard de la Pétrusse 45-47, L-2320 Luxembourg.

MGI was created on November 4th, 1998 and is the Luxembourg holding company of the Mossi & Ghisolfi Group ("MG Group").

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the consolidated financial statements of MG Group are as follows:

General

The consolidated financial statements for the year ended December 31st, 2004 have been prepared in accordance with the generally accepted accounting principles in Luxembourg.

The consolidated financial statements include the accounts of the parent company based in Luxembourg, MGI, and each of the foreign companies which MGI owns, directly or indirectly through subsidiaries, over 50% of the voting rights as defined by article 309 of the Luxembourg commercial law.

A list of the companies included in the scope of consolidation is provided in Note 35 and is considered an integral part of these notes.

In order to present the financial position and results of the Company to the reader with the utmost clarity and closer to the presentation as adopted by the International Financial Reporting Standards (I.F.R.S.), the annual accounts are presented with certain modifications to the legal format requirements in accordance with article 205 of the Luxembourg commercial law.

In particular the notes to these consolidated financial statements have been prepared making reference to the presentation format suggested by International Financial Reporting Standards (I.F.R.S.).

Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention.

Principles of Consolidation

The consolidated financial statements of the MG Group include MGI and the companies that it controls (see note 35). This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statement from the date of acquisition or to the date of disposal, respectively.

Investments in associated companies (generally investments between 20% to 50% in a company's equity), where a significant influence is exercised by MG Group, are accounted for by using the equity method.

Notes to Consolidated Statement MOSSI & GHISOLEI INTERNATIONAL S.A.

As of December 31, 2004

All amounts in thousands of Euro, unless otherwise indicated

All other investments not consolidated held on a long-term basis are valued at cost less any impairment in value and are included in non-current assets.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Intangible Assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end.

Patents, trademarks & licenses

Amounts paid for patents, trademarks & licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful lives of patents is established as 4-10 years, trademarks as 4-10 years and licenses as 10 - 20 years.

Loan & mortgage expenses

Loan & mortgage expenses mainly comprise the initial costs related to the arrangements for the borrowing facilities (loan agreements and the Senior Notes). These fees are amortized over the expected duration of the financing agreements.

Goodwill

Goodwill

The excess of the cost of the acquisition over the interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill is amortized on a straight-line basis over its useful life.

The unamortized balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is higher than the recoverable amount, an impairment loss is recognized.

Negative goodwill

Negative goodwill is recognized in the income statement as follows:

- a) to the extent that negative goodwill relates to expected future losses and expenses that are identified in the plan for the acquisition and can be measured reliably, that portion of negative goodwill is accounted for as other provisions and recognized as income when the future losses and expenses are recognized;
- b) the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is classified as a reduction of intangible assets and is recognized as income on a systematic basis

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2004

All amounts in thousands of Euro, unless otherwise indicated

over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets;

- c) the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognized as income immediately.

Research and Development Costs

Expenditures for research and development are charged against income in the period incurred except for project development costs, which comply strictly with the following criteria: (1) the product or process is clearly defined and costs are separately identified and measured reliably; (2) the technical feasibility of the product is demonstrated; (3) the product or process will be sold or used in-house; (4) a potential market exists for the product or its usefulness in case of internal use is demonstrated; (5) adequate technical, financial and other resources required for completion of the project are available.

Capitalized development costs are amortized on a straight-line basis over their expected useful lives. The period of amortization does not exceed five years.

The recoverable amount of development costs is estimated whenever there is an indication that the asset has been impaired or that the impairment losses recognized in previous years no longer exist.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are generally charged to income as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	16-39 years
Land Improvements	8-15 years
Machinery & Equipment	5-20 years
Furniture & Vehicles	3-8 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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Construction-in-progress represents plants and properties under construction and advance payment and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income statement for items of property, plant and equipment and intangibles carried at cost and is treated as a revaluation decrease for items that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same items. The recoverable amount is the higher of an asset's net selling price and value in use.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in income.

Government Grants

Government grants are deferred and amortized into income over the period necessary to match them with the related costs that they are intended to compensate. Grants contributed towards the acquisition of property, plant and equipment are deducted from the cost of those assets.

Income relating to government grants is recognized as a deduction from the cost of depreciation in profit and loss.

Finance Lease

The MGI Group recognizes finance leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the MG Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Operating Lease

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lesser are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

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Inventories

Inventories, including work-in-process are valued at the lower of cost and net realizable value, after provision for obsolete items. Cost is determined primarily on the basis of FIFO method of inventory evaluation, that assumes that the first goods purchased are the first goods used or sold, regardless of the actual physical flow. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

This year M&G group decided to change method of inventory evaluation and moved from weighted average cost to FIFO. Main reason being that main raw materials for PET were particularly volatile during 2004.

Had the Group adopted this method in previous years the profit for the year 2004 would have been lower by approximately € 4 million, gross of any tax effect.

For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs.

Unrealizable inventory has been fully written off.

Receivables

Receivables are stated at face value, after provision for doubtful accounts.

Cash and Cash Equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalent, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The MG Group operates internationally, giving rise to exposure to market risks from changes in interest and foreign exchange rates. The MG Group uses derivative financial instruments to mitigate those risks. The MG Group's criteria for a derivative instrument to be classified as a hedge includes: (1) the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk; (2) the effectiveness of the hedge can be reliably measured; (3) there is adequate documentation of the hedging relationships at the inception of the hedge; (4) for cash flow hedges, the forecast transaction that is subject of the hedges must be highly probable.

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The MG Group uses financial instruments to manage and reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. When these contracts qualify as hedges, their accounting is symmetrical to the accounting of the hedged items; gains and losses on such contracts are recorded in the same period as the item being hedged. When financial instruments are intended as a hedge but do not fully qualify for hedge accounting, the aggregate change in their market value is recorded in the profit and loss of the period of change if it results in a net loss; if it results in net gain, such gain is deferred.

Reserves

Capital Reserves is created in the Luxembourg holding company in accordance with requirements of local laws and regulations.

Currency translation adjustments

Currency translation adjustments reflect translation differences arising on the consolidation of the financial statements of foreign subsidiaries and on the equity method for associated companies, as described in the note "Foreign Currencies".

Provisions

A provision is recognised when, and only when, an enterprise has a present obligation (legal or contractual) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Employee Benefits

Defined Benefit Plans

The MG Group's companies in North America provide defined benefit pension plans for all employees. The funds are valued every year by professionally qualified independent actuaries. The obligation and costs of pension benefits are determined using a projected unit credit method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. Actuarial gains or losses are amortized based on the expected average remaining working lives of the employees. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Defined Contribution Plans

US and Brazilian subsidiaries sponsor defined contribution plans based on local practices and regulations. The plans cover full-time employees and provide for contributions ranging from 2.5% to 10% of salary. The contributions relating to defined contribution plans are charged to income in the year to which they relate.

Termination benefits

The reserve for employee termination benefits, which entirely refers to the Italian subsidiaries, is provided to cover the full liability due to employees in conformity with current Italian legislation, national labor

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contracts and additional indemnities agreed at company level. This reserve is subject to revaluation on the basis of indices.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Gross sales are recognized as revenues net of sales taxes and discounts when delivery has taken place and transfer of risks and rewards has been completed. Revenue from rendering services is recognized when the services are rendered.

Interest is recognized on a time proportion basis that reflects the effective yield on the asset. Dividends are recognized when the shareholder's right to receive payment is established.

Borrowing Costs

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Foreign Currencies

Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the income statement in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the exchange rate prevailing at the year end. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the consolidated profit and loss statement.

Foreign entities

The majority of foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies except for the Brazilian subsidiary for which the functional currency is US\$. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet and at average exchange rates for the period with respect to the income statement. All resulting translation differences are included in equity as currency translation adjustments.

The following is a table of the principal currency translation rates to the € as of December 31st, 2004 and the average rates for the year ended December 31st, 2004:

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Country	2004 Average Rate	2003 Average Rate	Change in %	2004 Year End Rate	2003 Year End Rate	Change in %
US Dollar US	0,804	0,880	8.6%	0,734	0,792	7.3%
US Dollar Brazil	0,802	0,883	9.2%	0,734	0,792	7.3%
Mexican Pesos	0,071	0,080	11.2%	0,066	0,071	7%
GB Pound	1,474	1,446	1.9%	1,418	1,419	-

Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the reporting entity recorded using the exchange rate at the effective date of the transaction. Exchange differences arising on a monetary item that, in substance, forms part of the MGI's net investment in a foreign entity are classified as equity in the consolidated financial statements until the disposal of the net investment. Exchange differences on transactions which hedge the MGI's net investment in a foreign entity are taken directly to the Currency translation adjustments in equity.

On the disposal of a foreign entity the cumulative amount of exchange rate differences that relate to the foreign entity, are recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

Income Taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred tax is calculated using the balance sheet liability method. Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the companies re-assess unrecognized deferred tax assets and the carrying amount of deferred tax assets. The companies recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The companies conversely reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax liabilities have not been provided on undistributed earnings of foreign subsidiaries to the extent the earnings are intended to remain invested in those entities.

A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortization is not deductible for tax purposes.

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Segment Information

From a business point of view MG Group is actually organized internally in one business area (Polymers) with two business units: PET resin and Acetate.

The area and business segments are the basis upon which the MG Group reports its primary segment information: financial information on geographical and business segments is presented in Note 30.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent Events

Post-year-end events that provide additional information about a company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

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3. Intangible Assets

Year 2003

	Patents, & Licenses	Loan & Mortgage Expenses	Negative Goodwill	Positive Goodwill	Develop. Costs	Other	Total
Cost							
January 1 st , 2003	26.481	9.369	(185.782)	2.985	4.485	14.790	(127.672)
Additions	173	-	-	-	1.632	4.884	6.689
Disposals	-	-	-	-	-	-	-
Perimeter Variation	-	-	-	-	-	-	-
Transfers	(1.972)	-	-	-	(181)	(242)	(2.395)
Other	-	-	20.273	-	-	-	20.273
Currency translation effects	(3.629)	(1.130)	-	-	(359)	(1.455)	(6.573)
December 31 st 2003	21.053	8.239	(165.509)	2.985	5.577	17.977	(109.678)
Accumulated Amortization							
January 1 st , 2003	(13.556)	(1.049)	15.234	(772)	(1.345)	(2.605)	(4.093)
Additions	(1.227)	(1.527)	13.375	(298)	(683)	(2.942)	6.698
Disposals	-	-	-	-	-	-	-
Perimeter Variation	-	-	-	-	-	-	-
Transfers	1.927	-	-	-	181	-	2.108
Currency translation effects	1.491	595	-	-	26	253	2.365
December 31 st , 2003	(11.365)	(1.981)	28.609	(1.070)	(1.821)	(5.294)	7.078
Net Book Value	9.688	6.258	(136.900)	1.915	3.756	12.683	(102.600)

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Year 2004

	Patents, & Licenses	Loan & Mortgage Expenses	Negative Goodwill	Positive Goodwill	Develop. Costs	Other	Total
Cost							
January 1 st , 2004	21.053	8.239	(165.509)	2.985	5.577	17.977	(109.678)
Additions	11.567	-	-	-	1.614	104	13.285
Disposals	-	-	-	-	-	(63)	(63)
Perimeter Variation	-	-	-	225	38	846	1.109
Transfers	571	-	-	-	-	(891)	(320)
Other	-	-	-	-	-	-	0
Currency translation effects	(949)	(291)	-	-	(206)	(706)	(2.152)
December 31st 2004	32.242	7.948	(165.509)	3.210	7.023	17.267	(97.819)
Accumulated Amortization							
January 1 st , 2004	(11.365)	(1.981)	28.609	(1.070)	(1.821)	(5.294)	7.078
Additions	(1.604)	(1.490)	13.938	(298)	(1.290)	(3.192)	6.064
Disposals	-	-	-	-	-	-	-
Perimeter Variation	-	-	-	-	-	(273)	(273)
Transfers	-	-	-	-	-	344	344
Currency translation effects	464	179	-	-	83	285	1.011
December 31st, 2004	(12.505)	(3.292)	42.547	(1.368)	(3.028)	(8.130)	14.224
Net Book Value	19.737	4.656	(122.962)	1.842	3.995	9.137	(83.595)

PATENTS, TRADEMARKS & LICENCES

Patents, Trademarks & Licenses mainly relate to: licenses utilized for production of acetate polymers and polyester resin; trademarks acquired from Shell in 2000; a license acquired in 2002 for the construction of the new Mexican plant; process know-how acquired in 2004 by the plant in Mexico from the Italian R&D centre, owned by the related party Cobarr S.p.A., which allowed an increase of approximately 40% of nameplate capacity.

Licenses are depreciated over 10 - 20 years while patents over their average useful life (approximately 4-10 years), estimated based on the nature of the invention and the industrial process involved.

LOAN & MORTGAGE EXPENSES

Loan and Mortgage Expenses are amortized over the duration of the agreements to which they refer (9 and 3/7 years respectively).

NEGATIVE AND POSITIVE GOODWILL

Negative Goodwill already recorded in 2001 and in 2002 represents: (i) in the Mexican and Italian subsidiaries, the difference between investment cost and fair value of the identifiable assets acquired at the

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date of the transaction (June 1st, 2000); this is being depreciated on a straight line basis over the average useful life of the plants (18 years for the Mexican subsidiary and 15 years for the Italian one); (ii) in the Brazilian subsidiary, the difference between investment cost on and the fair value of the identifiable assets acquired at the date of transaction (October 4, 2002); this is being depreciated on a straight line basis over the average residual useful lives of the plants (9 years).

In accordance with article 205 of the Luxembourg commercial law, MGI presents the Negative Goodwill in accordance with the International Accounting Standard applicable at the time of acquisition of the related subsidiaries. In the opinion of the Directors, this presentation best reflects the economic substance of the transaction and provides the reader with the utmost clarity.

Positive Goodwill is in the US subsidiaries related to the excess of investment cost over the net value of identifiable assets acquired at the date of the transaction (June 1st, 2000). Goodwill is being amortized on a straight line basis over 10 years.

The increase in Positive Goodwill is related to the acquisition of Expedio 8 made by Acetati S.p.A. at the end of the year. It represents the excess of investment cost over the net value of identifiable assets acquired.

DEVELOPMENT COSTS

The increase in Development costs mainly derive from R&D activities on new products and technologies performed by the Sharon Research Centre in Ohio. They are being amortized on a straight line basis over 5 years.

OTHER

Other intangible assets are related to: (i) merger and setting-up costs for the Luxembourg and Italian subsidiaries; they are being amortized over three and five years respectively, and (ii) capitalization of costs for the implementation of a new software within the MG Group; these costs are being amortized over 5 years from the period the new software is available for use.

The increase of the year is mainly due to the implementation of a new software in the Brazilian subsidiary.

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4. Property, Plant and Equipment

Year 2003

	Land & Buildings	Machinery & Equipments	Furniture & Vehicles	Work in Progress	Grants	Total
Cost						
January 1 st , 2003	126.330	896.126	19.312	107.148	(12.618)	1.136.298
Additions	47	5.338	508	26.036	-	31.929
Disposals	-	(848)	(79)	-	-	(927)
Perimeter Variation	-	-	-	-	-	-
Transfers	7.072	75.682	1.637	(84.603)	-	(212)
Currency translation effects	(13.018)	(129.721)	(3.085)	(23.808)	-	(169.632)
December 31 st 2003	120.431	846.577	18.293	24.773	(12.618)	997.456
Accumulated Depreciation & Impairment Losses						
January 1 st , 2003	(59.998)	(456.366)	(16.616)	-	5.644	(527.336)
Depreciation of the year	(5.185)	(58.410)	(1.090)	-	643	(64.042)
Disposals	-	597	48	-	-	645
Perimeter Variation	-	-	-	-	-	-
Transfers/ Others	(32)	538	(297)	-	-	209
Currency translation effects	6.138	68.732	2.745	-	-	77.615
December 31 st , 2003	(59.077)	(444.909)	(15.210)	-	6.287	(512.909)
Net Book Value	61.354	401.668	3.083	24.773	(6.331)	484.547

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Year 2004

	Land & Buildings	Machinery & Equipments	Furniture & Vehicles	Work in Progress	Grants	Total
Cost						
January 1 st , 2004	120.431	846.577	18.293	24.773	(12.618)	997.456
Additions	3.190	3.204	324	15.528	-	22.246
Disposals	(15.907)	(24.757)	(163)	(3.559)	-	(44.386)
Perimeter Variation	799	3.742	25	167	-	4.733
Transfers	3.518	11.693	360	(15.988)	-	(417)
Currency translation effects	(4.583)	(47.826)	(1.186)	(1.117)	-	(54.712)
December 31st 2004	107.448	792.633	17.653	19.804	(12.618)	924.920
Accumulated Depreciation & Impairment Losses						
January 1 st , 2004	(59.077)	(444.909)	(15.210)	-	6.287	(512.909)
Depreciation of the year	(4.613)	(57.446)	(1.112)	-	642	(62.529)
Disposals	15.907	24.710	135	-	-	40.752
Perimeter Variation	(83)	(605)	(6)	-	-	(694)
Transfers/Others	(1.636)	1.891	(147)	-	-	108
Currency translation effects	2.038	28.443	1.064	-	-	31.545
December 31st, 2004	(47.464)	(447.916)	(15.276)	-	6.929	(503.727)
Net Book Value	59.984	344.717	2.377	19.804	(5.689)	421.193

Investment book value of Acetati S.p.A. has been offset against the related share of its stockholders' equity as of the date the subsidiary was included in the consolidation for the first time (January 1st, 2000). The positive difference arising on consolidation has been allocated, based on the result of an independent appraisal, to the assets of the consolidated company and in particular to buildings, machinery and equipment. It is being depreciated on a straight-line basis over the average useful life of the related assets.

Land and Buildings / Machinery and Equipment

The increase in Land and Building is mainly due to a building acquired by Acetati S.p.A.

The decrease in Land & Building and Machinery & Equipment derives from the sale of all the fixed assets of Crystal Polymers Ltd that took place in December 2004. Since these assets were fully depreciated a similar effect is registered in Accumulated Depreciation.

Transfers of Land and Buildings for € 3.518 and Machinery and Equipment for € 11.693 respectively are due to the completion of a series of minor maintenance projects.

Work in progress

The reduction of € 15.988 due to transfers to other categories is compensated by the increase of € 15.528. Both amounts are the sum of a series of small maintenance project distributed in all the sites.

The reduction of € 3.559 is related to a write-off of a pilot plant in Apple Grove.

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Government Grants

An Italian subsidiary received government grants related to the construction and development of its chemical plants.

These grants are included in tangible assets and recognized as a deduction of depreciation of the related assets.

5. Investments

	December 31, 2004	December 31, 2003
Investments in subsidiaries - at cost	-	-
Other Investments - at cost	378	401
Total	378	401

Investments in other companies are principally in Mexican and Brazilian companies providing utility services.

6. Other Non-Current Assets

	December 31, 2004	December 31, 2003
Deferred tax assets	37.530	24.924
Related Party Sundry Receivables	32.911	37.365
Guarantee deposits	215	446
Total	70.656	62.735

Deferred tax assets are composed of and determined by a tax loss carried forward in the Mexican and US subsidiaries and tax benefits from a revaluation for tax purposes of the Italian plants (see Note 29).

The increase is related to the recognition of tax loss carried forward from the Mexican and US subsidiaries.

Related Party Sundry Receivables include:

- ❖ € 7,341: receivables from Italtel Preforme S.p.A. for the sale of land and buildings in 1994. Payment is due in 2006. The related receivable bears interest at market interest rates;
- ❖ € 25,570: receivable from M&G Europe S.à.r.l. in connection with the sale of participations by M&G International to M&G Europe in 2002. This receivable bears interest at market rates and its value depends on the average EBITDA generated by the sold participations over the next five years. During the year an amount of € 4,5 million has been cashed.

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7. Inventories Net

	December 31, 2004	December 31, 2003
Raw Materials, at cost	47.314	38.226
Finished Products, at cost	75.776	86.631
Process Materials & Spare Parts	20.495	20.958
Devaluation Allowance	(2.925)	(4.379)
At Net Realizable Value	17.570	16.579
Prepaid supplier for inventory	325	214
Work in Progress - at cost	11.592	10.562
Total	152.577	152.212

The increase in Raw Material is mainly due to increase of price.

The decrease in Finished Product is mainly due to a special program initiated by management aimed at reducing capital investment, mainly in working capital.

8. Trade and Other Receivables

	December 31, 2004	December 31, 2003
Trade Receivables	165.003	124.220
Bad Debt Provision	(1.166)	(1.330)
Financial Receivables	17.753	13.319
Sundry Receivables	10.424	12.069
Related Party Trade Receivables	1.991	9.151
Related Party Financial Receivables	5.918	6.171
Related Party Sundry Receivables	4.776	2.343
VAT Receivable	22.389	18.656
Tax Credits	13.158	8.245
Deferred tax asset - Current portion	5.301	5.753
Prepaid Suppliers	2.031	4.624
Total Trade & Other Receivables	247.578	203.221

Trade Receivables increased from € 124,220 in 2003 to € 167,003 in 2004, the reason being the increase of PET prices in 2004 and increased volumes of sales.

Financial Receivables are mainly related to the Mexican subsidiary where for credit purposes certain clients are covered by a local insurance under a non-recourse agreement with a local financial institution.

Sundry Receivables decreased due to (i) the collection of contributions for utility expenses received by the Brazilian subsidiary and (ii) the pro-quota collection of rebates stemming from a multi-annual raw material supply agreement.

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Related Party Trade Receivables are mainly related to commercial transactions with Cobarr S.p.A. for basic resin and Italtel Preforme S.p.A. for finished products.

Related Party Financial Receivables relate to a loan to the ultimate Italian holding company M. & G. Finanziaria Industriale S.p.A., interest bearing at market conditions.

Related Party Sundry Receivables include (i) the amount receivable from the ultimate Italian holding company for the transfer of the VAT credit, (ii) the amount receivable from the ultimate Italian holding company for the transfer of the Italian income tax (IRES) credit and (iii) the amount receivable from the related party Nuroll s.p.a. for the transfer of income tax credit.

Deferred Tax Asset includes amounts of the Brazilian and Mexican subsidiaries related to tax loss carried forward, temporary differences between tax booking and accounting booking and part of the tax benefit due to the tax revaluation of the Italian plants. (see Note 29).

9. Cash & Cash Equivalents

	December 31, 2004	December 31, 2003
Cash	58	78
Bank Accounts	120.600	111.880
Total	120.658	111.958

10. Prepaid Expenses & Accrued Income

	December 31, 2004	December 31, 2003
Prepaid Expenses related to Insurance Costs	1.658	621
Other Prepaid Expenses	1.883	1.821
Accrued Income	714	1.028
Total	4.255	3.470

Accrued income is related to the Interest rate differential on swap contracts that is to be collected in April 2005.

11. Share Capital

	Share capital	Currency translation adjustments	Reserves	Retained earnings	Profit for the period	Total
December 31 st , 2002	79.040	(35.786)	518	41.017	31.035	115.824
Share issue	-	-	-	-	-	-
Translation adjustments	-	(46.874)	-	-	-	(46.874)
Profit destination	-	-	-	31.035	(31.035)	-
Profit for the year	-	-	-	-	25.883	25.883
Other	-	-	-	-	-	-
December 31 st , 2003	79.040	(82.660)	518	72.052	25.883	94.833

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	Share capital	Currency translation adjustments	Reserves	Retained earnings	Profit for the period	Total
December 31 st , 2003	79.040	(82.660)	518	72.052	25.883	94.833
Share issue	-	-	-	-	-	-
Translation adjustments	-	(14.337)	-	-	-	(14.337)
Profit destination	-	-	942	24.941	(25.883)	-
Profit for the year	-	-	-	-	25.090	25.090
Dividends	-	-	-	(12.000)	-	(12.000)
Other increase/decrease, net	-	-	-	-	-	-
December 31 st , 2004	79.040	(96.997)	1.460	84.993	25.090	93.586

As of December 31st, 2004 and 2003 the total subscribed and fully paid-in share capital amounted to € 79,040 consisting of 79,040 registered ordinary shares at a par value of € 1,000 each. The authorized capital of the Company totals 150,000 registered shares.

12. Currency translation adjustments

Currency translation adjustments reflect those translation adjustments arising from the consolidation of financial statements of foreign entities. The significant variation is mainly due to the fluctuation in exchange rates between the US dollar and Mexican pesos versus euro.

13. Reserves

Reserves mainly refer to a Special Reserve that can only be used to absorb the losses of MGI or to increase the share capital in conformity with articles 69-2 and 69-4 of the Luxembourg company law.

14. Retained earnings/(losses)

During 2004 M&G International distributed dividends to the ultimate Italian holding company for a total amount of € 12,000.

15. Minority interests

	Minority Interests	Currency translation adjustments	Minority Result	Total
December 31, 2002	68.817	(4.183)	1.018	65.652
Translation	-	(9.970)	-	(9.970)
Profit Destination	1.018	-	(1.018)	-
Profit for the year	-	-	3.092	3.092
Others	(1.295)	-	-	(1.295)
Dividends	(5.300)	-	-	(5.300)
December 31, 2003	63.240	(14.153)	3.092	52.179

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	Minority Interests	Currency translation adjustments	Minority Result	Total
December 31, 2003	63,240	(14,153)	3,092	52,179
Translation	-	(5,322)	-	(5,322)
Profit Destination	3,092	-	(3,092)	-
Profit for the year	-	-	4,326	4,326
Others	-	-	-	-
Dividends	(5,202)	-	-	(5,202)
December 31, 2004	61,130	(19,475)	4,326	45,981

Minority Interests are related to the Brazilian subsidiary.

The decrease in Minority Interests in 2003 was due to some post acquisition adjustments to the fair value of the assets and liabilities acquired in connection with the purchase of the Brazilian subsidiary.

Dividends are dividends distributed to a minority shareholder involved in the production of PTA in Brazil.

16. Interest bearing Borrowings

	December 31, 2004	December 31, 2003
Secured		
Other Bank Loans	7,342	11,518
Total Secured Loans	7,342	11,518
Senior Notes	165,918	197,941
Bank of America Loan	-	95,012
Interbanca Loan	51,000	80,000
Other Bank Loans	6,080	3,239
Leasing	-	156
Total Unsecured Loans	222,998	376,348
Total Interest Bearing Borrowings	230,340	387,866

During 2002 the Group has issued Senior Notes on the Private Placement in the US Market for a total amount of US\$ 250 million (€ 183,538 at December 31, 2004 exchange rate), of which US\$ 120 million will be amortized over 7 years and US\$ 130 million over 10 years.

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Senior Notes amortization schedule is as follows:

2005	17.620
2006	31.253
2007	31.253
2008	31.253
2009	31.255
2010	13.634
2011	13.634
2012	13.636
	<u>183.538</u>

The Senior Notes bear fixed rate interest, payable semi-annually in April and October. The Senior Notes Agreement requires that MG Group respects some financial covenants based on EBITDA, indebtedness and equity.

Amounts payable in 2005 is included in Note 20 "Current portion of Interest Bearing Borrowings".

Other Secured Bank Loans refer exclusively to Acetati S.p.A. They are the remaining outstanding amounts of long term loans taken in previous years and are secured through mortgages on assets and pledge on machinery and equipment. The repayment schedule of the Other Bank Loans is:

Within 5 years	Over 5 years	Total
7.342	-	7.342

Amounts payable in 2005 for € 3,600 are included in Note 20 "Current portion of Interest Bearing Borrowings".

Bank of America's Credit Line, which was outstanding for US\$ 120,000 at the end of 2003, was outstanding for US\$ 86,000 at the end of 2004, with a repayment of US\$ 34,000. The outstanding amount as of 31.12.04 has been recorded in "Current Portion of Interest bearing Borrowings" (Note 20), since the credit line will expire for US\$ 50,000 in April 2005 and US\$ 100,000 in September 2005.

Interbanca Loan of € 51,000 is a Long term facility agreement with a final maturity date in 2009. It bears interest at Euro LIBOR plus spread. It is a dual currency loan (Euro/Dollar). During 2004 an amount of € 29,000 has been reimbursed.

17. Retirement Benefit Obligations

	December 31, 2004	December 31, 2003
Defined Benefit Plans hourly	19.664	23.032
Defined Benefit Plans salary	231	117
Reserve for Termination Indemnities	2.672	2.601
	<u>22.567</u>	<u>25.750</u>

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Defined Benefit Plans

The US subsidiary provides a defined benefit pension plan and a separate post-retirement medical benefit plan for its hourly and salary union employees.

Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependant pensions. Benefits are dependent on years of service and the respective employee's compensation.

The obligation resulting from defined benefit pension plans is determined using the projected unit credit method. Unrecognized gains and losses resulting from changes in actuarial assumptions are recognized as income (expense) over the expected remaining service life of the active employees.

The following tables reconcile the funded status of defined benefit plans to the amounts recognized in the balance sheet. All amounts are in thousands of US\$ unless otherwise indicated.

	Pension Plan	Post-Retirement Medical Plan
Change in benefit obligations		
Present value of defined benefit obligations, beginning of period	45.873	26.484
Current service cost	357	202
Interest expense on obligations	2.848	2.251
Amendment	(376)	-
Benefits paid	(3.313)	(2.929)
Actuarial loss/(gain)	1.608	2.339
Amortization of prior service costs	-	(379)
Curtailments/Settlements/Termination benefits	770	-
Present value of defined benefit obligations, year-end	\$ 47.767	\$ 27.968

	Pension Plan
Change in plan assets	
Fair value of plan assets, beginning of period	29.953
Expected return on plan assets	2.961
Actuarial gain (loss)	433
Employer contributions	5.265
Benefits paid	(3.313)
	\$ 35.299

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

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	Pension Plan	Post-Retirement Medical Plan
Present value of defined benefit obligations	47.767	27.968
Fair value of plan assets	(35.299)	-
Present value of unfunded benefit obligations	12.468	27.968
Unrecognized actuarial gains/losses	(13.349)	-
Unrecognized past service cost	(303)	-
Net liability in the balance sheet	\$ (1.184)	\$ 27.968
Net liability in the balance sheet Euro	€ (869)	€ 20.533

According to IAS 19, MG Group has not recognized actuarial losses exceeding 10% of present value of the previous reporting period defined benefit obligations.

Net periodic pension expense is comprised of the following:

	Pension Plan	Post-Retirement Medical Plan
Amounts recognized in the statements		
Current service cost	357	202
Interest expense on obligations	2.848	2.251
Loss on Plan Assets / Net Amortization & Deferral	(2.705)	1.960
Curtailment (Gain)/Loss	974	-
Total pension expense	\$ 1.474	\$ 4.413

The movements in the liability recognized in the balance sheet are as follows:

	Pension Plan	Post-Retirement Medical Plan
Defined benefit liability, beginning of period	2.607	26.484
Current service cost	357	202
Interest expense on obligations	2.848	2.251
Expected return on plan assets	(2.961)	-
Amortization of losses and prior service cost	256	1.960
Contributions/benefits paid	(5.265)	(2.929)
Curtailment (Gain)/Loss	974	-
Defined benefit liability, year-end	\$ (1.184)	\$ 27.968

Principal actuarial assumptions used to determine pension obligations as of December 31, 2004 are the following:

	Pension Plan	Post-Retirement Medical Plan
Discount rate	6,00%	6,25%
Expected return on plan assets	9,50%	-

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As of December 31, 2004

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Reserve for Termination Indemnities

Italian law requires an indemnity to be paid to personnel upon termination of employment. As of December 31, 2004 the related reserve reflects the amount to be accrued according to the provisions of the applicable law and the labor contracts.

The law requires the annual provision to be equal to 1/13,5 of the compensation of the year plus a revaluation of the prior period provisions on the basis of 75% of the annual percentage increase in the official Italian cost of living, plus 1,5%.

	Termination Indemnities
Balance at January 1, 2004	2.601
Provisions made during the year	561
Provisions used during the year	(556)
Perimeter Variation	66
Balance at December 31, 2004	2.672
Current portion of provisions	-
Non-current portion of provisions	2.672

18. Provisions

	Recycle	Prov. Shutdown & Maint.	Prov. Risks & Charges	Others	Total
Balance at January 1, 2004	335	808	4.708	4.000	9.851
Provisions made during Year	-	1.156	368	5.486	7.010
Provisions reversed during	-	-	(4.708)	(1.255)	(5.963)
Provisions used during Year	-	(616)	-	-	(616)
Cumulated Translation	-	(157)	(14)	(522)	(693)
Others	-	101	-	50	151
Balance at December 31, 2004	335	1.292	354	7.759	9.740
Current Portion of Provision	-	1.128	-	-	1.128
Non-Current Portion of Provisions	335	164	354	7.759	8.612

Recycle

The provision is related to a possible future payment for recycling contributions to the Italian Replastic Association. Payment is based on the volume of the goods sold in previous years.

Provision for Shutdown & Maintenance

In Brazil, maintenance budgeted expenses are accrued over the period between two maintenance shutdowns. The provision is related to the maintenance shutdown planned for 2005 and 2006.

The decrease in the provision is mainly due to the shutdown occurred in the Brazilian plant producing fibres in November 2004.

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Provision for risk and charges

The provision at the beginning of the year was related to difference between the acquired investment in Crystal Polymers Ltd. and the fair value of the net identifiable assets acquired at the date of the acquisition.

During the year this provision has been written off after the sale of the fixed assets of Crystal Polymers Ltd.

Others

Other funds principally refer to provisions made for litigations, claims and related charges.

€ 5,636 have been provisioned during 2004 in the Brazilian subsidiaries for potential tax liabilities linked to some general interpretational aspects of the law, which still need to be clarified by the local courts. For prudential reasons, management decided to make such a provision while waiting for the outcome of the Brazilian Supreme Court.

19. Trade & Other Payables

	December 31, 2004	December 31, 2003
Trade Payables	310.820	209.987
Tax Payable	25.343	18.068
Deferred Payments	-	12.236
Wages and Social Security Payable	7.400	7.300
Related Party Trade Payables	5.960	9.412
Related Party Sundry Payables	7.818	571
Advances from Customers	6.289	5.689
Other Financial Payables	2.000	2.562
Agents Payables	813	1.602
Conai Payable	285	212
Others	678	313
Group Tax Payable	755	139
Total Trade & Other Payables	368.161	268.091

The increase in Trade Payables is mainly related to the substantial increase in raw materials' prices over the year.

The decrease in deferred payments is related to the payments of the adjustments to the price of the Brazilian acquisition made in 2003.

Related Party Trade Payables stem from commercial transactions with the company Cobarr S.p.A. and to services provided by M. & G. Finanziaria Industriale S.p.A.

The increase in Related Party Sundry Payables is due to (i) the know-how acquired by Mexican subsidiary from Cobarr S.p.A. for USD 7.500 (see note 3) and (ii) the amount payable to the ultimate Italian holding company for the transfer of the Italian income tax (IRES) credit.

Other Financial Payables are related to the amounts due to financial institutions for commissions and fees and the mark to market evaluation of derivative agreements.

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Conai payable represents the contribution to the local recycling association to be made by the Italian subsidiaries. The amount depends on the volume of production.

20. Current Portion of Interest Bearing Borrowings

	December 31, 2004	December 31, 2003
BOA Loan - Current portion	63.138	-
Senior Notes - Current portion	17.620	-
Other Bank Loans - Current portion	3.600	3.200
Due to Banks	12.095	8.938
Leasing	-	81
Total Current Portion of Interest Bearing Borrowings	96.453	12.219

"Other Bank loans and BOA loan - Current Portion" relate to the part to be reimbursed during year 2005, according to the repayment schedule.

21. Deferred Income & Accrued Expense

	December 31, 2004	December 31, 2003
Accrued Interests on Senior Notes	3.056	3.222
Accrued Interests on Bank of America Loans	1.150	288
Accrued Interests on Interbanca Loan	993	921
Accrued Interests on Other Bank Loans	161	459
Insurance Charge	-	-
Others	1.595	1.801
Total Deferred Income & Accrued Expenses	6.955	6.691

22. Other Operating Income

	December 31, 2004	December 31, 2003
Recoveries	5.431	15.010
Prior year gains	2.657	717
Other income	1.548	12.615
Indemnifications	-	17.971
Contributions	-	13.921
Insurance claim	10.339	400
Provision Reversal	5.998	-
Royalties	75	-
Total Other Operating Income	26.048	60.634

Recoveries refer to (i) PTT operating activity performed by the US subsidiary for Shell Chemical (ii) reimbursement that MGI received from Shell related to previous year taxes and (iii) services and utilities to related parties (approximately € 2,500).

Prior year gain mainly includes reimbursements for prior year taxes.

Insurance claim include claims cashed and payable for damages from an ice storm, machinery break down and faulty supplies.

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Provision Reversal for € 5,398 stems mainly from the sale of Crystal and the related cancellation of any provision relative to the mothballing of this plant.

23. Raw Materials & Consumables Used

	December 31, 2004	December 31, 2003
Changes in Raw Materials	(12.585)	(5.415)
Changes in Process Materials & Spare Parts	(14.286)	(8.430)
Purchases of Raw Materials, Process & Spare Parts	1.064.406	846.712
Total Raw Materials & Consumables Used	1.037.535	832.867

The large increase in values derives from the increase of raw material prices during 2004.

24. Services & Other External Charges

	December 31, 2004	December 31, 2003
Freight Costs	57.036	49.964
3 rd Parties Services Fees	10.783	7.805
Sales Commissions	8.444	6.631
Other Costs on Purchases	4.179	3.779
Corporate and Group Fees	18.724	11.583
Maintenance Charges	14.327	13.922
Insurance Costs	5.235	5.501
General Office Services	3.736	4.375
Travel Expenses	3.863	3.616
Other Fixed Cost	14.095	14.738
Other Variable Cost	4.206	2.577
Total Services & Other External Charges	144.628	124.491

25. Staff Costs and Average Number of Employees

	December 31, 2004	December 31, 2003
Wages and Salaries	37.478	41.924
Social Security Costs	9.819	9.109
Employee Termination Indemnity	6.738	6.350
Other Personnel Expenses	3.245	3.805
Total Staff Costs	57.280	61.188

The average number of employees for 2004 is:

	2004	2003
Europe	288	297
North America	242	300
Mexico	282	249
Brazil	936	939
	1.748	1.785

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26. Depreciation, Amortization & Provision

	December 31, 2004	December 31, 2003
Property, Plant & Equipment	65.648	64.042
Intangible Assets	(6.063)	(6.698)
Provision for bad Debt	-	474
Other Allowances	2.503	3.425
Total Depreciation, Amortization & Provision	62.088	61.243

27. Other Operating Expenses

	December 31, 2004	December 31, 2003
Local Taxes	1.150	1.243
Prior Year Expenses	470	553
Loss on Credits	334	1.102
Subscriptions	282	481
Penalties	1	171
Donations & Sponsorships	219	247
Other Expenses	6.345	1.781
Indemnity for Damages	-	-
Total Other Operating Expenses	8.801	5.578

Other Expenses include some settlements with clients, mainly in Italy and Brazil.

28. Financial Result

	December 31, 2004	December 31, 2003
Foreign Currency Exchange Gains	63.347	111.284
Interest Income from Related Parties	1.625	1.747
Interest Income	2.476	1.805
Other Financial Income	5.442	7.614
Total Financial Incomes	72.890	122.450
Foreign Currency Exchange Losses	(59.521)	(124.320)
Interest Expense on Borrowings	(24.032)	(24.853)
Interest due to Related Parties	(15)	(24)
Other Financial Expenses	(12.845)	(13.376)
Total Financial Expenses	(96.413)	(162.573)
Net Financial Result	(23.523)	(40.123)

The variation in Foreign Currency Exchange Gains and Losses is mainly due to the fluctuation of the Euro/Dollar and Pesos/USD exchange rate.

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

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29. Income Taxes

	December 31, 2004	December 31, 2003
Current Tax Expenses	14.481	12.062
Substitute Tax	-	-
<i>Deferred Tax Effects relating to the origination and Reversal of</i>		
- Provision to Deferred Tax Liability	38.838	19.557
- Reversal of Deferred Tax Liability	(31.884)	(13.605)
- Accounting for Deferred Tax Asset	(38.275)	(22.017)
- Reversal of Deferred Tax Asset	23.016	10.295
Total	6.176	6.292

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	December 31, 2004	December 31, 2003
Accounting profit	35.592	35.267
Tax at the applicable tax rate (30,38% in 2004) - (30,38% in 2003)	10.813	10.714
Differences related to the different tax rates	1.300	215
Differences related to the tax asset on losses to be carried-forward	1.030	9.655
Differences related to the tax asset recognition	(11.722)	(21.479)
Differences related to local taxes	1.547	4.447
Permanent differences & differences on consolidated entries	3.208	2.740
Tax charge per statutory books	6.176	6.292

For the new Mexican plant entered into operations at the end of 2003 the Group has decided to take advantage of the tax benefit granted by local regulations to anticipate, for tax purposes only, the whole depreciation of the asset. In accordance with these regulation part of the asset value is consequently not deductible for tax purposes. Accordingly, since no deferred taxes have been recorded on this temporary difference, the related tax effect would be recognized during the depreciation period of the asset.

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Components of deferred tax liability are as follows:

Year 2003

	January 1, 2003	Credited/ (charged) to PL	Perimeter variation	Transfers/ Other	Translation Effect	December 31, 2003
Deferred tax asset						
Other temporary differences	6.292	(2.289)	-	-	(1.080)	2.923
Tax loss carried-forward	26.218	11.685	-	(8.751)	(6.850)	22.302
Tax benefit on Tax Revaluation	3.126	2.326	-	-	-	5.452
Total deferred tax asset	35.636	11.722	-	(8.751)	(7.930)	30.677
Current portion	23.081					5.753
Non-current portion	12.555					24.924
Deferred tax liability						
Tax over book depreciation	(50.985)	7.029	-	-	7.182	(36.774)
Other temporary Differences	(11.658)	(12.981)	-	-	2.949	(21.690)
Total deferred tax liability	(62.643)	(5.952)	-	-	10.131	(58.464)
Current portion	(11.937)					(26.956)
Non-current portion	(50.706)					(31.508)
Net deferred tax liability	(27.007)	5.770	-	(8.751)	2.201	(27.787)

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Year 2004

	January 1, 2004	Credited/ (charged) to PL	Perimeter variation	Transfers/ Other	Translation Effect	December 31, 2004
Deferred tax asset						
Other temporary differences	2.923	(201)	36	-	(169)	2.589
Tax loss carried-forward	22.302	16.607	-	-	(2.972)	35.937
Tax benefit on Tax Revaluation	5.452	(1.147)	-	-	-	4.305
Total deferred tax asset	30.677	15.259	36	-	(3.141)	42.831
Current portion	5.753					5.301
Non-current portion	24.924					37.530
Deferred tax liability						
Tax over book depreciation	(36.774)	(15.336)	-	-	2.837	(49.273)
Other temporary Differences	(21.690)	8.382	-	1.420	1.244	(10.644)
Total deferred tax liability	(58.464)	(6.954)	-	1.420	4.081	(59.917)
Current portion	(26.956)					(11.685)
Non-current portion	(31.508)					(48.232)
Net deferred tax liability	(27.787)	8.305	36	1.420	940	(17.086)

30. Segment Information

Segment information is prepared on the following basis:

A. Business segments

From a business point of view the MG Group is organized internally in one business area (Polymers) with two business units: PET resin and Acetate.

The "Others" segment includes the activity of the holding company (MGI).

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Business Segment Data

Year 2003

	PET Resin	Acetates	Others	Intra Segments Elimination & Conso Entry	Consolidated F/S
INCOME STATEMENT:					
External sales	1.025.625	38.669	-	-	1.064.294
Internal segment sales	104.393	-	-	(104.393)	-
Total revenues	1.130.018	38.669		(104.393)	1.064.294
Segment result	61.790	(6.464)	9.218	-	64.544
Consolidated records	(1.814)	-	-	12.660	10.846
Operating profit	59.976	(6.464)	9.218	12.660	75.390
CASH-FLOW STATEMENT:					
Depreciation, Amortization & Provision	(66.898)	(5.442)	(482)	11.579	(61.243)
Capital Expenditure	26.811	5.118	-	-	31.929
BALANCE SHEET:					
Total operating assets	1.307.234	50.308	129.062	-	1.486.604
Consolidated records	(376.564)	10.953	(77.027)	(128.022)	(570.660)
Consolidated Total Assets	930.670	61.261	52.035	(128.022)	915.944
Total operating liabilities	988.449	40.528	178.508	-	1.207.485
Consolidated records	(321.176)	(7.545)	(113.917)	4.085	(438.553)
Consolidated Total Liabilities	667.273	32.983	64.591	4.085	768.932
OTHER INFORMATION:					
Employees	1.612	172	1	-	1.785
Labour cost	54.096	7.073	19	-	61.188

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

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Year 2004

	PET Resin	Acetates	Others	Intra Segments Elimination & Conso Entry	Consolidated F/S
INCOME STATEMENT:					
External sales	1.314.144	42.937	-	(2.000)	1.355.081
Internal segment sales	145.659	-	-	(145.659)	-
Total revenues	1.459.803	42.937	-	(147.659)	1.355.081
Segment result	66.535	(5.883)	(2.270)	-	58.382
Consolidated records	(15.537)	(44)	-	16.314	733
Operating profit	50.998	(5.927)	(2.270)	16.314	59.115
CASH-FLOW STATEMENT:					
Depreciation, Amortization & Provision	(70.425)	(4.064)	(447)	12.848	(62.088)
Capital Expenditure	14.053	8.193	-	-	22.246
BALANCE SHEET:					
Total operating assets	1.274.409	41.189	89.054	-	1.404.652
Consolidated records	(338.015)	18.989	(23.346)	(128.580)	(470.952)
Consolidated Total Assets	936.394	60.178	65.708	(128.580)	(933.700)
Total operating liabilities	950.893	31.028	158.339	-	1.140.260
Consolidated records	(235.080)	(1.664)	(105.629)	(3.754)	(346.127)
Consolidated Total Liabilities	715.813	29.364	52.710	(3.754)	794.133
OTHER INFORMATION:					
Employees	1.587	160	1	-	1.748
Labour cost	50.495	6.765	20	-	57.280

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2004

All amounts in thousands of Euro, unless otherwise indicated

B. Geographical segments

The MG Group's activities are conducted predominantly in NAFTA, Europe and Brazil.

Year 2003

	Europe	NAFTA	BRAZIL	Intra Segments Elimination & Conso Entry	Consolidated F/S
INCOME STATEMENT:					
External sales	294.482	532.266	283.488	(45.942)	1.064.294
Internal segment sales	-	58.451	-	(58.451)	-
Total revenues	294.482	590.717	283.488	(104.393)	1.064.294
Segment result	7.672	26.589	30.283	-	64.544
Consolidated records	-	(1.776)	(38)	12.660	10.846
Operating profit	7.672	24.813	30.245	12.660	75.390
CASH-FLOW STATEMENT:					
Depreciation, Amortization & Provision	(13.861)	(27.177)	(31.784)	11.579	(61.243)
Capital Expenditure	5.279	19.668	6.982	-	31.929
BALANCE SHEET:					
Total operating assets	459.572	683.129	343.903	-	1.486.604
Consolidated records	(202.520)	(239.919)	(199)	(128.022)	(570.660)
Consolidated Total Assets	257.052	443.210	343.704	(128.022)	915.944
Total operating liabilities	432.671	578.326	196.488	-	1.207.485
Consolidated records	(133.393)	(228.083)	(81.162)	4.085	(438.553)
Consolidated Total Liabilities	299.278	350.243	115.326	4.085	768.932
OTHER INFORMATION:					
Employees	297	549	939	-	1.785
Labour cost	14.144	31.622	15.422	-	61.188

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2004

All amounts in thousands of Euro, unless otherwise indicated

Year 2004

	Europe	NAFTA	BRAZIL	Intra Segments Elimination & Conso Entry	Consolidated F/S
INCOME STATEMENT:					
External sales	339.358	719.250	329.260	(32.787)	1.355.081
Internal segment sales		114.872	-	(114.872)	-
Total revenues	339.358	834.122	329.260	(147.659)	1.355.081
Segment result	(8.102)	28.250	38.234	-	58.382
Consolidated records	-	(12.266)	(3.315)	16.314	733
Operating profit	(8.102)	15.984	34.919	16.314	59.115
CASH-FLOW STATEMENT:					
Depreciation, Amortization & Provision	(13.044)	(32.838)	(29.054)	12.848	(62.088)
Capital Expenditure	9.423	8.961	3.862	-	22.246
BALANCE SHEET:					
Total operating assets	352.322	689.432	362.898	-	1.404.652
Consolidated records	(105.769)	(236.526)	(77)	(128.580)	(470.952)
Consolidated Total Assets	246.553	452.906	362.821	(128.580)	933.700
Total operating liabilities	349.018	573.888	217.354	-	1.140.260
Consolidated records	(107.417)	(186.088)	(48.868)	(3.754)	(346.127)
Consolidated Total Liabilities	241.601	387.800	168.486	(3.754)	794.133
OTHER INFORMATION:					
Employees	288	524	936	-	1.748
Labour cost	14.267	27.595	15.418	-	57.280

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

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All amounts in thousands of Euro, unless otherwise indicated

31. Financial Instruments

Credit risks

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. The extent of the subsidiary's credit exposure is represented by its aggregate balance of accounts receivable. The MG Group monitors its counterparties to ensure that none of them fail to meet their obligations.

Interest rate and foreign exchange risks

The MG Group uses interest rate swaps and forward rate agreements in order to manage and reduce its exposure to fluctuations in interest rates and foreign currency exchange rates.

The notional amount covered by the interest rate swaps is US\$ 150,000,000 and is amortized over a period ending in March 2009/2012.

Fair value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments and other non-current assets

The carrying amount of cash and other financial assets is assumed to approximate fair value due to the short term maturity of these financial instruments.

Short-term borrowings

The carrying amount is assumed to approximate fair value due to the short period to maturity of these instruments.

Long-term borrowings

The fair value of the long term loans is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile.

The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

32. Commitments

There are no significant commitments arising from contracts for expenditures on property, plant and equipment as of December 31st, 2004.

33. Contingent Liabilities

Various legal actions and claims are pending or may be asserted in the future against MG Group companies from litigation and claims incurred during the ordinary course of business. These mainly include matters relating to warranties, personal injury, damages to property and infringement on intellectual property rights. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision management believes that no material liabilities are

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

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likely to result. In the event that any liability would emerge, Management is confident that provisions set aside (Note 18) are fully adequate.

34. Related Party Transactions

The MG Group has entered into a variety of transactions with its related parties. The MG Group enters into transactions in the normal course of business on an arm's-length basis. The most significant of these transactions in 2004 are as follows:

1. Sales of semi finished products and utilities to the associated company Italtel Preforme S.p.A. amounted to approximately € 19.520;
2. Sales of materials to Cobarr S.p.A. amounted to € 31.880;
3. Purchase of materials from Cobarr S.p.A. amounted to approximately € 1.558;
4. Tolling fees paid to Cobarr S.p.A. for approximately € 5.433;
5. Overhead costs and corporate fees from headquarters of approximately € 12.270 allocated as a component of services and other external charges in the financial statements of each subsidiary;
6. Interest income on intercompany loans with the holding company M. & G. Finanziaria Industriale S.p.A. of approximately € 218;
7. Interest income - as described in note 6 - with Italtel Preforme S.p.A. amounted to approximately € 739 and with the company M&G Europe S.r.l. to € 622;
8. Purchase of process know-how by Mexican plant from Cobarr S.p.A., which allowed an increase of approximately 40% of nameplate capacity.

The balance sheet includes the following amounts resulting from transactions with associated companies:

	December 31, 2004	December 31, 2003
Related party non current sundry receivables	32.911	37.365
Related party trade receivables	1.991	9.151
Related party financial receivables	5.918	6.171
Related party sundry receivables	4.602	2.343
Related party trade payables	5.960	9.412
Related party sundry payables	7.818	571

For "Related party non current sundry Receivables" see Note 6.

For "Related party trade Receivables", "Related party financial receivables" and "Related party sundry receivables" see Note 8.

For "Related party trade payables" see Note 19.

Emoluments of the Board of Directors:

The emoluments paid to Directors during 2004 amount to € 123.

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2004

All amounts in thousands of Euro, unless otherwise indicated

35. List of Subsidiaries Consolidated

Year 2003

Entity	Place of Incorporation	Principal Activities	Ownership Interest	Notes
Mossi & Ghisolfi International S.A.	Luxembourg	Parent company	-	-
Acetati S.p.A.	Italy	Production	100,00 %	(3)
M&G Polimeri Italia S.p.A.	Italy	Production	100,00 %	(1)
Crystal Polymers Ltd	United Kingdom	Production	100,00 %	(1)
M&G USA Corporation	U.S.A.	Holding	100,00 %	(2)
M&G Polymers USA LLC	U.S.A.	Production	100,00 %	(1)
M&G USA Holding LLC	U.S.A.	Holding	100,00 %	(2)
M&G Finance Corporation	U.S.A.	Holding	100,00%	(2)
M&G Mexico Holding S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
M&G Polimeros Mexico S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
Servicios Tamaulipas S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
Rhodia Ster S.A.	Brazil	Production	88,446%	(4)
Rhodia Ster Fibras e Resinas Ltda.	Brazil	Production	88,446%	(4)
Rhodia Ster Resinas de Pernambuco S.A.	Brazil	Production	88,446%	(4)
RECIPET Revalorizacao de productos Ltd	Brazil	Production	88,446%	(4)
Rhodiaco Industrias Quimicas Ltda.	Brazil	Production	45,108%	(4)

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2004

All amounts in thousands of Euro, unless otherwise indicated

Year 2004

Entity	Place of Incorporation	Principal Activities	Ownership Interest	Notes
Mossi & Ghisolfi International S.A.	Luxembourg	Parent company	-	-
Acetati S.p.A.	Italy	Production	100,00 %	(3)
M&G Polimeri Italia S.p.A.	Italy	Production	100,00 %	(1)
Crystal Polymers Ltd	United Kingdom	Production	100,00 %	(1)
M&G USA Corporation	U.S.A.	Holding	100,00 %	(2)
M&G Polymers USA LLC	U.S.A.	Production	100,00 %	(1)
M&G USA Holding LLC	U.S.A.	Holding	100,00 %	(2)
M&G Finance Corporation	U.S.A.	Holding	100,00 %	(2)
M&G Mexico Holding S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
M&G Polimeros Mexico S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
Servicios Tamaulipas S.A. de C.V.	Mexico	Production	100,00 %	(1) (2)
Rhodia Ster S.A.	Brazil	Production	88,446 %	(4)
Rhodia Ster Fibras e Resinas Ltda.	Brazil	Production	88,446 %	(4)
Rhodia Ster Resinas de Pernambuco S.A.	Brazil	Production	88,446 %	(4)
RECIPEPET Revalorizacao de productos Ltd	Brazil	Production	88,446 %	(4)
Rhodiaco Industrias Quimicas Ltda.	Brazil	Production	45,108 %	(4)
Expedio Otto S.r.l.	Italy	Production	100,00 %	(5)

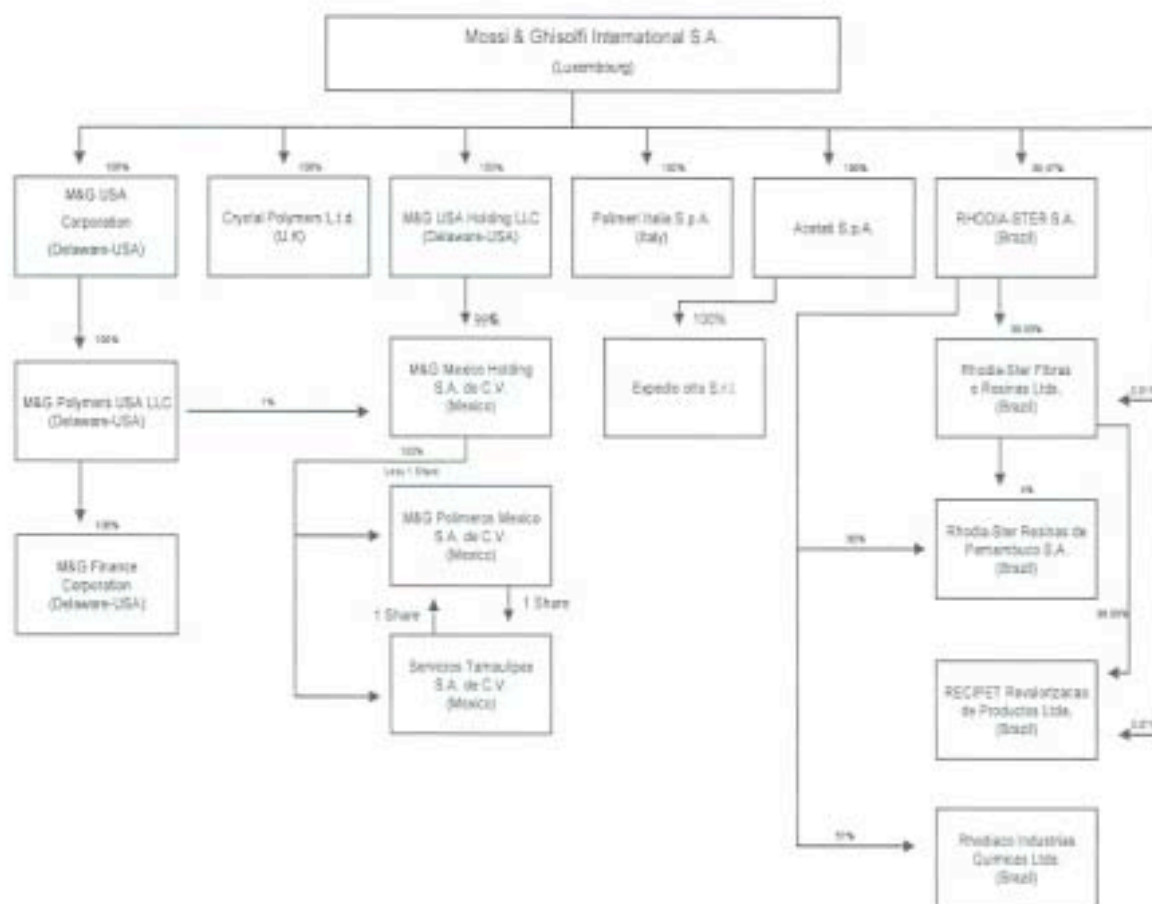
Notes:

- 1) Consolidated operations since the acquisition date (June 1st, 2000)
- 2) Consolidated operations since the incorporation date
- 3) Consolidated operations since the date of first consolidation (January 1st, 2000)
- 4) Consolidated operations since the acquisition date (October 4th 2002)
- 5) Consolidated operations since the acquisition date (December 17th, 2004)

Notes to Consolidated Statement MOSSI & GHISOLFI INTERNATIONAL S.A.

As of December 31, 2004

All amounts in thousands of Euro, unless otherwise indicated



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Parent Guarantor

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Subsidiary Guarantors

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