



Beats

SUSTAINABILITY REPORT 2012
RANCILIO GROUP S.P.A.



RANCILIO
GROUP



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Rancilio Group **Beats**

01

LOVE AND TRUST OUR PRODUCTS

02

KEEP THE PROMISES

03

MAKE STRONG RELATIONS

04

PRIDE

05

SUSTAINABILITY

06

PROFIT

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1 A NOTE ON METHOD

In this, the first edition of Rancilio Group S.p.A.'s Sustainability Report, the management aims to provide stakeholders, both inside and outside the company, with a statement of the activities performed and commitments undertaken to develop socially responsible business action.

The material will be circulated by the publication of an excerpt in the area specially dedicated to corporate social responsibility on the website www.ranciliogroup.com, on the company intranet to fully involve staff and in printed and digital form to be distributed at important events organised for technical and commercial partners.

The document has been drawn up according to the most recent version of the "Global Reporting Initiative Guidelines" (3.1), which foresee the use of quality and quantity indicators to provide an integrated analysis of the company's performance, appraising its economic, environmental and social impact.

The issues addressed in this annual balance sheet originate from the voluntary adoption of the UNI EN ISO 26000:2010 principles, aiming at corporate growth in perfect harmony with the territory and people.

When drawing up the 2012 Sustainability Report, all the organisational divisions of the Headquarters and group subsidiaries were involved, thus making it possible to obtain crucial managerial support that could be used by the organisation as a whole, right from the first edition.

The area reported on was established in line with the structure of the multinational and on the basis of the effective availability of collected data. We have appropriately highlighted any possible variations in the scope due to limited informational importance or progressively centralised management by the parent company.

Of the various levels envisaged under GRI 3.1, we pointed to achieve the application B, in order to inform our stakeholders clearly, reliably and transparently, using data collection methods already tried and tested in the company, while putting in place new processes, so as to extend the amount and completeness of the indicators provided for under the standard of reference over coming years.

Lastly, we chose to provide the reader with a two-year trend of comparative performances only when there was a systemic analysis method comprehensively tested by the various company departments involved.



2 LETTER FROM THE BOARD OF DIRECTORS

We are pleased to present the 2012 Sustainability Report, our first effort in this regard. Our intention is to show ourselves to all our stakeholders and provide them with an overall view of the Rancilio Group's identity and successes, internal and external relations and environmental impact.

Our aim is to propose a business model that brings the company's interests compatible with those of society, highlighting the characteristics which make our organisation successful and encouraging in-depth dialogue with the local entities with which we are in contact.

This publication is entitled "BEATS", a metaphor that keeps time with our daily operations always based on listening and paying attention to our stakeholders, to whom we wish to provide an opportunity to learn not only about the group's economic results, but also the long journey we embarked upon to achieve them.

With this firm conviction in mind, we look forward to a future of mutual growth, based on our constant commitment to respond to all our stakeholders' needs effectively and transparently.

While the global economy is facing its most severe financial crisis of recent decades, the Rancilio Group achieved record results in 2012, both in terms of coffee machines produced and sold, and of economic-financial performance. This is a sign that the market has rewarded our products, the result of constant diligence from our team, always striving to develop new, high-quality and reliable solutions.

We believe that this first edition of the document is also an excellent opportunity to encourage reflection within the company, allowing us to assess to what extent our values are effectively consistent with our strategic policies.

We are convinced that the company and society are essential parts of a system of relations based on collaboration and trust, enabling us to face new challenges with courage and determination.

Enjoy your journey, and discover the mastery concealed in a cup of espresso.

The Board of Rancilio Group S.p.A.

3 THE STAKEHOLDERS

Our stakeholders, having a vested interest in our group, express needs and expectations we are obliged to take into account.

Developing an open, constructive dialogue with our interlocutors means encouraging their participation in shared goals, destined to last over time.

We ask our speakers to tell us about their needs and priorities, but, above all, to acquire greater awareness of the key role they play within the organisation.

The list below illustrates the commitments we intend to pursue to establish relationships of trust that, through comparison, will allow us to identify opportunities related to fair, sustainable development.

CUSTOMERS:

- Monitor user satisfaction
- Optimise external communication
- Ensure product quality and prompt, efficient service

SUPPLIERS:

- Consolidate existing relationships
- Promote greater awareness of sustainability issues
- Increase the number of visits to supplier companies

EMPLOYEES:

- Ensure ongoing training
- A higher level of involvement and participation
- Improve attention dedicated to staff and their specific needs

INSTITUTIONS:

- Comply with the principles of accuracy, timeliness and transparency when providing information
- Organise meetings dedicated to sharing economic and financial results
- Ensure correct evaluation of company assets

COMMUNITY AND TERRITORY:

- Strengthen social commitment
- Support local projects for the benefit of the territory
- Encourage initiatives aimed at greater social cohesion

ENVIRONMENT:

- Reduce energy consumption
- Improve waste management
- Optimise packaging use



The type and characteristics of the various entities that interact with the Rancilio Group will be illustrated, quantified and examined in the various sections of this document.



4 AN INTERNATIONAL GROUP

Rancilio Group S.p.A. operates in the Ho.Re.Ca. (Hotel-Restaurant-Café) sector, through the design, manufacturing and sale of professional machines and equipment for the preparation of high-quality espresso-based beverages.

The company product range is capable of fully satisfying the requirements of our interlocutors, with a focus on reliability and customer care. Our traditional and super-automatic coffee machines, dosing grinders, dishwashers and ice makers embody unprecedented technology, and appoint the Rancilio Group one of the most appreciated industries worldwide.

4.1 Brands

To be on the cutting edge of the future, we must call upon a proud and illustrious past. The main events in the history of our group trace the development of three prestigious brands. Rancilio, Egro and Promac are the result of enthusiasm for continuous innovation. These different but complementary worlds intertwine and reinforce each other, maintaining a strong identity in their specific fields of reference:



The historic **Rancilio**, which has been striving since 1927 to safeguard and promote Italian espresso culture all over the world. We call this “Coffeeing the World” – exporting everywhere a corporate philosophy based not only on technology, but also on talent, sensitivity and ingenuity.



The Swiss **Egro**, established in 1849 as a company specialised in metal processing, which has been renowned for its extraordinary know-how in the design and manufacture of fully automatic machines since 1934. Egro’s technological soul is behind the “Swiss Coffee Technology” pay-off, an absolute guarantee of Helvetic professional excellence in the development of highly automated products.



The essential **Promac**, whose name combines the “pro” of professional and “mac” of machines, which has been producing clean-cut, professional equipment for over 30 years. Simple Italian Style is the winning formula of the Promac brand, highlighting the Italian core of its products, synonymous with experience and dedication.

4.2 History

GROUP STRUCTURE

- 1849 E**
Metallwarenfabrik Egloff is established in Niederrohrdorf
- 1926 R**
Roberto Rancilio submits an application for building permission to Parabiago Town Council for what was originally known as Officine Meccaniche RR
- 1956 R**
The sons of the founder, Nino, Antonietto and Romano, carry on the family business
- 1972 R**
The new production facility opens in Villastanza di Parabiago
- 1979 E**
The company name is changed to EGRO, from EG Egloff and RO Rohrdorf
- 1982 R**
Rancilio becomes a joint-stock company
- 1982 P**
The founding year of Promac
- 1996 R**
The third generation -Roberto, Silvia, Giorgio and Luca- continue with the industrial project that started back in 1927
- 2002 P**
New Promac commercial offices open in the city of Legnano
- 2006 R**
Minority stake acquired in Egro
- 2007 R**
Entrance of Alto Partners SGR in Rancilio with a Private Equity transaction
- 2008 R**
Rancilio becomes the majority shareholder of Egro
- 2010 G**
Reorganisation of production lines in the facility of Villastanza di Parabiago
- 2011 G**
Rancilio Group S.p.A. established
- 2012 G**
Refurbishment of marketing and sales offices at the Group's headquarters

PRODUCTS LINES

- 1927 R**
Production of the first Rancilio brand professional coffee machine: La Regina
- 1934 E**
Supra I is the first Egro product for brewing filter coffee
- 1949 R**
First lever coffee machine produced by Rancilio, the Fortuna model
- 1955 R**
Collaboration begins between Rancilio and outside designers: Giovanni Travasa with the Alpina
- 1971 R**
Marco Zanuso designs the Z8
- 1972 E**
Production of the Micado, the first fully automatic coffee machine available also in self service version from 1980
- 1984 P**
Astro and Green are the leading products of the Promac brand
- 1985 E**
First Egro coffee machine with electronic process control: AMC
- 1988 R**
Bruno Rossio collaborates with Rancilio, and production starts on the Z11
- 1991 E**
Egro patents a new grinding, brewing and dispensing system
- 1997 R**
Millenium is Rancilio's answer to market demands in the late 1990s
- 2000 R**
Classe 10 proves to be a success
- 2004 R**
Classe 6 and Classe 8 join the flagship Classe 10
- 2005 E**
Egro patents a milk system with automatic cleaning functions
- 2009 E**
ONE is Egro's new super-automatic
- 2011 R**
Rancilio launches two new products on the market: Classe 7 and Classe 9
- 2011 R**
The revolutionary Xcelsius technology is introduced

INTERNATIONAL EXPANSION

- 1938 R**
Rancilio takes part for the first time in the Milan International Fair
- 1960 R**
32 Italian agencies work with Rancilio, that exports to 21 foreign countries
- 1979 E**
New markets for Egro: Japan and Hong Kong
- 1999 R**
The American branch of Rancilio is established at Woodridge (Chicago)
- 2002 E**
Egro opens its German subsidiary at Weikersheim
- 2003 E**
A representative office is opened in Hong Kong
- 2004 R**
A Spanish branch company is opened in Barcelona
- 2006 R**
Rancilio moves into the market of fully automatic machines
- 2008 R**
The Portuguese branch opens in Lisbon

Key:

- R - Rancilio
- E - Egro
- P - Promac
- G - Group

4.3 Corporate structure

Today, our group is a multinational reality with five commercial offices in foreign markets of particular strategic interest.

Our dual research and development capacity is seen in the two laboratories in Villastanza di Parabiago (Milan), dealing with traditional products, and in Dottikon (Aargau), dedicated to fully automatic technology. The two centres are in constant contact, in order to exploit to the maximising of the know-how they have developed over many years in the field. In particular, research staff focus on both innovations of a strictly technical nature and aesthetics.

Below, we will briefly set out the main features of the subsidiaries of the parent company Rancilio Group S.p.A., to present you an overview of our corporate identity and to provide detailed help in reading our first Sustainability Report.

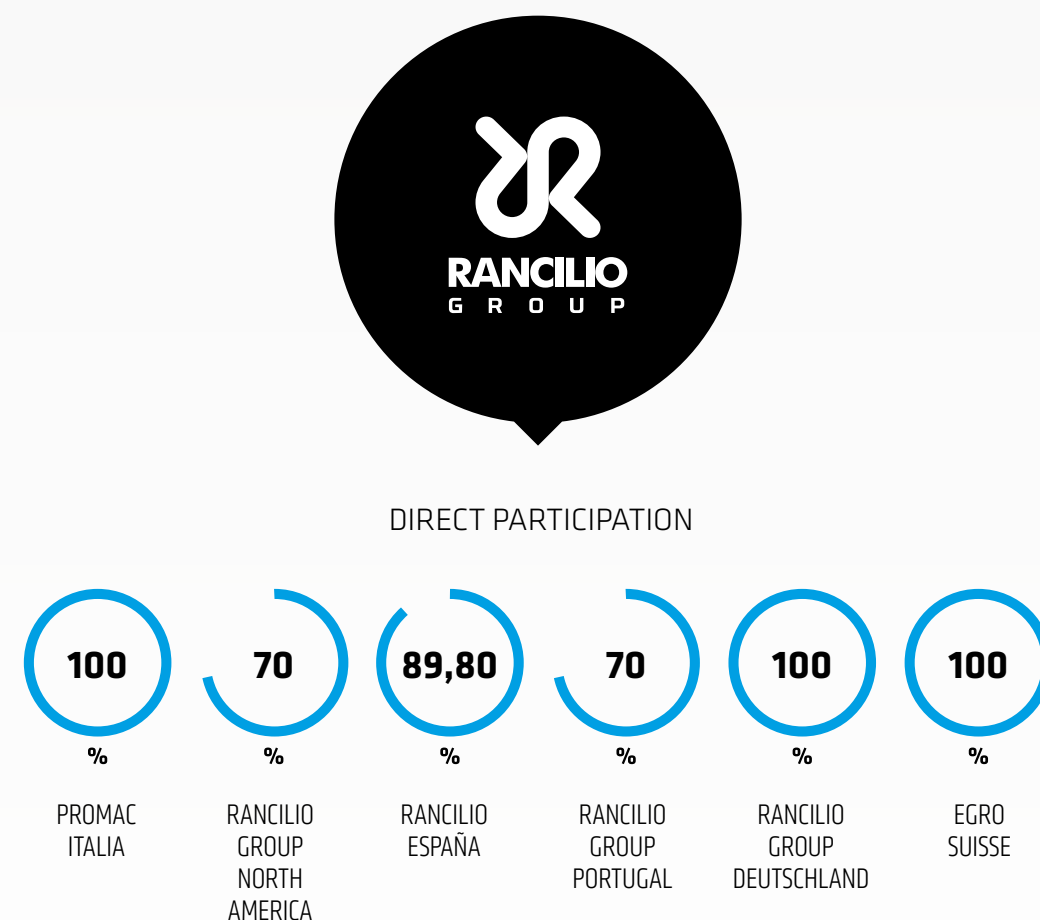


CHART :
Organizational structure.

Promac Italia S.r.l.

The company is headquartered at Via Cremona 1, Legnano (Milan), and deals with the commercialisation of Promac traditional coffee machines and dosing grinders.

Rancilio Group North America Inc.

Rancilio Group North America Inc., seated in Woodridge (USA), is dedicated to the marketing of Rancilio and Egro brand products in the USA.

Rancilio España S.A.

The subsidiary in Barcelona was set up to strengthen the Rancilio brand presence on the Iberian Peninsula. Over time it has proven to be a successful move, originally aimed at changing the company's market strategies, generating growth, year after year.

Rancilio Group Portugal Lda

Set up in Lisbon, in response to the need to market Rancilio products in Portugal. The results achieved since its establishment are due to impressive market penetration over time.

Rancilio Group Deutschland GmbH

The company from Weikersheim is the commercial outpost for the sale of Rancilio and Egro products on the German market.

Egro Suisse AG

With head offices in Dottikon (Aargau), it was entirely taken over by Rancilio Group S.p.A. in 2011. The branch deals with research and development on fully automatic products and marketing of the Rancilio and Egro range in Switzerland.

4.4 Company bodies

Constant dialogue with stakeholders has allowed us to develop an open, transparent corporate organisation. This distinctive feature has led to the creation of a governance system based on satisfying the expectations of all our partners.

SHAREHOLDERS

In 2007 the Rancilio family signed an agreement with the private equity fund Alto Capital II, promoted and managed by the savings management company Alto Partners S.p.A., aimed at increasing the group's share capital to finance development and growth projects. The company is structured as follows: 68.97% is owned by the Rancilio family, with the remaining 31.03% held by the minority shareholder mentioned above.

BOARD OF DIRECTORS

This is the management body that is responsible for the running of the company. It is composed of seven members, entrusted with the powers necessary to conduct the business in a correct manner, in line with the aims of economic but also sustainable development.

Rancilio Giorgio

President

Rancilio Roberto

Board member

Rancilio Luca

Board member

Rancilio Silvia

Board member

Doppietti Luigi

Board member

Scarpis Stefano

Board member

Cianchi Stefano

Board member

BOARD OF STATUTORY AUDITORS

The Rancilio Group S.p.A. supervisory body comprises three members, whose task it is to check that the running and administration of the company are performed in full compliance with the law and the company articles.

Strazzera Livio

President

Lazzarini Alberto

Statutory Auditor

Spreafico Mario

Statutory Auditor

INDEPENDENT AUDITORS

In order to ensure the correct keeping of the accounts and recording of operational transactions, since 1999 the corporate financial statements have been certified by the KPMG auditing firm, a world leader in professional services for companies. During 2012 the Rancilio Group Board of Directors decided to draw up and implement an organisational model pursuant to Legislative Decree 231/2001, with the objective of bolstering its corporate governance and internal audit systems. The adoption of this model represents a further step towards improving efficiency in the performance of activities and ensuring constant observance of the law, by introducing procedures aimed at dealing with possible situations of risk.

4.5 Trade associations

The Rancilio Group exchanges views with and is a member of various trade associations. It is strongly committed to protecting the interests of the industrial activities they represent.

We are voluntary members of the following institutes:

CONFINDUSTRIA

(General Confederation of Italian Industry) Is the main organisation representing manufacturing and services companies in Italy.

CONFINDUSTRIA ALTO MILANESE

Formerly ALI (Legnano Industrial Association), represents interests linked to the development of local industry in the provinces of Milan, Varese and Como.

ANIMA

(Federation of National Associations of Engineering and Related Industries) is the industrial trade organisation which represents various types of engineering and related companies within Confindustria.

ASSOFOODTEC

(Italian Association of Machines, Systems and Equipment for the Production, Processing and Conservation of Foodstuffs) includes within it UCIMAC, which brings together some of the leading Italian manufacturers of espresso coffee machines and bar equipment.

INEI

(Italian National Espresso Institute) defends the quality of espresso coffee by providing sensory certification based on blends that comply with strict parameters, and with the help of professional staff and equipment.

ALTOGA

(Lombard Association of Coffee Roasters, Importers and Food Wholesalers) represents the leading coffee roasters in Lombardy and the surrounding regions, including major companies in the food wholesale sector.

SCAE

(Specialty Coffee Association of Europe) fosters the promotion of quality coffees, encouraging interaction between companies involved in the espresso supply chain.

SVGG

(Swiss Association of Vendors of Professional Equipment for Ho.Re.Ca.) promotes the interests of Swiss companies dealing with equipment for the professional catering sector.

The Rancilio Group is assessing the invitation received from HKI, a German Association that brings together the main companies operating in the segment of super-automatic coffee machines.

4.6 Innovation

The generation and exchange of ideas are at the basis of the Rancilio Group's innovation process. These two important aspects are continually promoted and encouraged through various initiatives and a wide range of tools. In 2012 6.5% of the group's turnover was set aside for R&D. Creativity is encouraged in every department of our Rancilio and Egro LAB technological facilities. We believe in constant, responsible innovation, which gives priority to caring for people, society and the surrounding environment.

Recently, the company has received prestigious prizes and awards:

2012 SILVER MEDAL FOR CLASSE 9 USB XCELSIUS

The professional coffee machine Rancilio Classe 9 USB with Xcelsius technology, won the silver medal at the 25th edition of the EID awards, organised by the magazine Appliance Design. In 2010 our group had already taken part successfully in the famous contest, winning a bronze medal for the technical, ergonomic and stylistic features of the fully automatic Egro ONE.

ADI DESIGN INDEX 2012 NOMINATION FOR KRYO 65

Extreme functionality and aesthetics are the characteristics which have allowed the KRYO 65 grinder-doser to be selected for publication in the ADI Design Index 2012, automatically earning a place as one of the candidates for the Compasso d'Oro award.

MAKEY AWARDS 2012 NOMINATION FOR MISS SILVIA

This competition, organised by the American magazine Make, gives awards to those companies that manufacture products with particular characteristics, such as the extreme adaptability of the Miss Silvia home coffee machine to the needs of espresso lovers all over the world.

In addition to relying on its own capacities for research and development, the group has established partnerships with prestigious universities.

The Xcelsius project represents a fine example. Resulting from the collaboration with the renowned Politecnico di Torino, it has led to two international patents being filed.

The company is well aware of the need to widen its horizons and to cultivate new ideas and skills without any geographical or sectorial limitations.

In 2012 Rancilio Group commissioned the food science and technology departments of the University of Milan and the University of Girona to monitor the sensory profile of coffee brewed using the Xcelsius technology.

A team of professionals performed a scientific analysis of the aroma and taste profile, and of the tactile and visual perception of the best result obtainable in the cup with variations in temperature of the espresso brewing water.

The flattering results of the study further confirm the validity of this innovative system and represent a new stimulus to continue with research aimed at improving in-house knowledge and the quality of products in the range.



5 ECONOMIC RESULTS

The perfect balance between financial, environmental and social interests forms the basis for developing sustainability concepts and corporate economic responsibility. The Rancilio Group is aware of the fact that lasting growth can only be achieved if a perfect synergy of investment and operational efficiency is maintained over time. This requires a significant commitment, both in terms of improving technical and managerial performance and in the use of financial resources, a challenge that the company shall meet and exceed.

5.1 2012 in brief

Undoubtedly, 2012 was a highly satisfactory year for the Rancilio Group.

Growth in revenue of approximately 10% on the previous year was experienced in all the product lines of particular strategic importance.

The group's marked international outlook was highlighted by the fact that foreign turnover accounted for over 85%.

Europe remains our main market outlet, with countries in Eastern Europe recording growth rates above the sector average. Other areas recording significant growth compared to 2011 were Latin America and some African states, which had previously suffered a serious downturn due to internal conflicts.

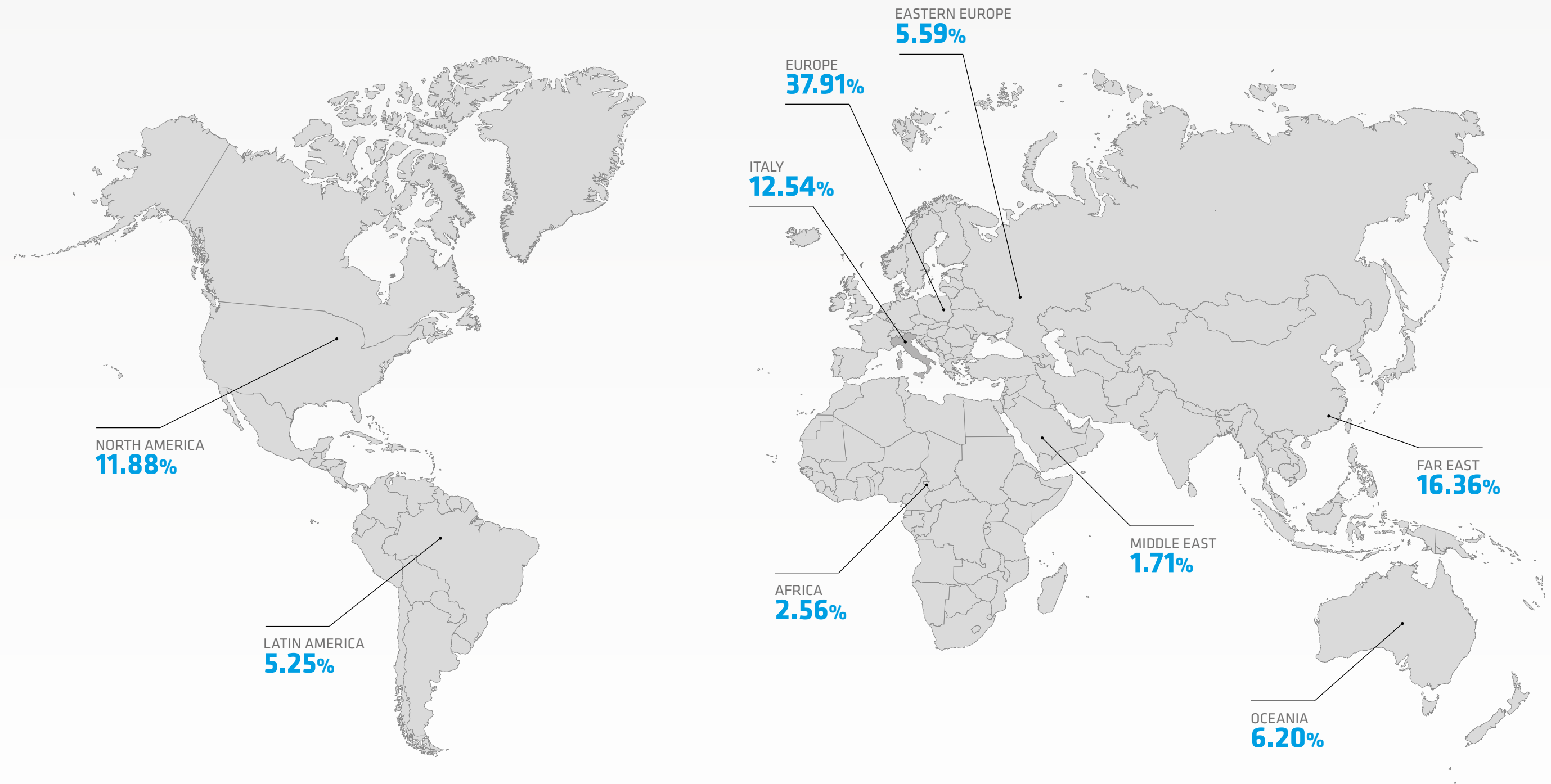


CHART:
Geographical allocation of turnover 2012

The profit margins are positive and present an increase in the year-to-year comparison. This result was also achieved by maximising the synergies generated from the takeover and integration of the Swiss company Egro.

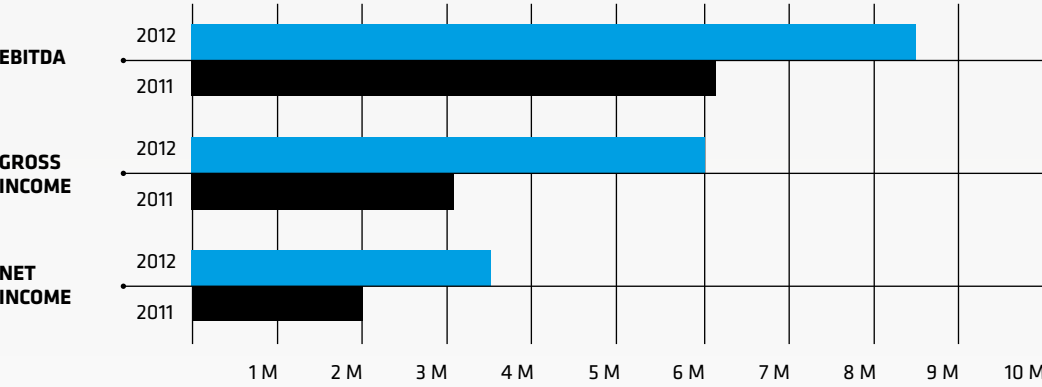


CHART:
Economic trend in 2011-2012. Values expressed in millions of Euro.

The sections of the reclassified income statement distinguish between ordinary operations, extraordinary operations and financial operations. The analysis performed demonstrates that the growth in turnover regards all the companies in the Rancilio Group, with a noticeable increase in the number of traditional and fully automatic machines sold in our main markets.

	2012	2011
PRODUCTION VALUE	59,286	54,433
Operating costs	37,124	35,296
VALUE ADDED	22,162	19,137
Personnel costs	13,379	12,620
EBITDA*	8,783	6,517
Amortisation	2,454	2,318
EBIT**	6,329	4,199
Result from secondary activities	(36)	(205)
Result from financial operations	(348)	(403)
GROSS INCOME	5,945	3,591
Tax	(2.223)	(1.559)
NET INCOME	3,722	2,032

* Earnings Before Interest, Taxes, Depreciation and Amortisation measures ordinary operations of the company before amortisation, and includes the cost of debt.
 ** Earnings Before Interest and Taxes measures company results before tax and interest.

TABLE:
Reclassified income statement 2011-2012. Values expressed in thousands of Euro.

In order to comprehensively analyse the corporate economic position, we can use various profitability indicators that allow us to assess the company's ability to produce income and generate resources. The excellent results achieved in 2012 positively influenced ROE, ROI and ROS, which experienced an increase in the year-on-year comparison.

INDICE	2012	2011
ROE (Return on Equity) Net Revenue/Equity	24.72%	17.65%
ROI (Return on Investments) Operating Profit/Net Operating Invested Capital	35.28%	24.16%
ROS (Return on Sales) Operating Profit/Revenues from sales	10.82%	7.90%

TABLE:
Profitability indicators.

The balance sheet reclassified on a management accounting basis allows an overview of the dynamics of the financial structure. A solid asset structure remains a fundamental, binding factor in the processes of planning, budget and accounting, as well as an item of primary importance in the incentives system for the top management, also considering the volatility of financial markets seen in recent years.

INVESTMENTS	2012	2011
OPERATING INVESTED CAPITAL	19,467	19,488
OPERATING LIABILITIES	(1,526)	(2,109)
NET OPERATING INVESTED CAPITAL	17,941	17,379
NON-OPERATING INVESTMENTS	5,675	6,028
NET INVESTED CAPITAL	23,616	23,407
SOURCES		
EQUITY	15,059	11,513
FINANCIAL DEBTS	8,557	11,894
CAPITAL FUNDING	23,616	23,407

TABLE:
Reclassified balance sheet 2011-2012. Values expressed in thousands of Euro.

To provide stakeholders with an overall view of corporate assets and liabilities, the main indicators of economic solidity were recorded. These express the Rancilio Group's ability to deal with unforeseen events, whether internal or external.

INDICATOR	2012	2011
Equity to non-current assets ratio - Equity/Non-current assets	2.71	2.16
Debt-to-equity ratio - Debt-to-equity ratio	1.57	2.03
Indicator of financial independence - Equity/Net Invested Capital	63.77%	49.19%

TABLE:
Indicators of economic solidity.

5.2 Production and distribution of value added

Value added, intended as wealth produced by the company and redistributed to its stakeholders, is a vital factor in defining our group's financial impact.

The starting point, the Consolidated Financial Statement, drawn up according to the 4th EEC directive.

From a methodological point of view, among the various possible types of value added, depending on the degree of aggregation of income items, overall value added was chosen as the benchmark, and highlights the relation between positive and negative items in the operating period.

The table illustrates the value added as a result of ordinary operations, showing gross and net amounts from depreciations and amortisations.

	2012
PRODUCTION VALUE	59,286
INTERMEDIATE PRODUCTION COSTS	(35,067)
Raw materials	(26,092)
Services	(6,687)
Leased assets	(1,460)
Variation in stocks	(409)
Other operating expenses	(419)
GROSS VALUE ADDED FROM ORDINARY OPERATIONS	24,219
ACCESSORY AND EXTRAORDINARY ITEMS	(36)
OVERALL GROSS VALUE ADDED	24,183
Depreciation and amortisation	(2,454)
OVERALL NET VALUE ADDED	21,729

TABLE:
Calculation of value added 2012. Values expressed in thousands of Euro.

The allocation of value table shows the categories of stakeholders in contact with the Rancilio Group and the remuneration they receive.

The company, as an independent body, is in turn considered as a further stakeholder, since it is itself the beneficiary of the wealth produced by its activity. The value added capitalised in the company will allow it to last over time.

The main beneficiaries of the distribution of overall value added in 2012 were human resources, with 70.26% of the total amount going to employees in the form of salaries, incentives, social security contributions and allocation to the severance pay provision.

	2012
REMUNERATION OF STAFF	15,267
Direct remuneration and bonuses, of which:	12,917
• training	26
• canteen and gifts	154
• outsourced work	1,400
Indirect remuneration	2,350
REMUNERATION OF THE PUBLIC ADMINISTRATION	2,244
Direct taxation	2,224
Indirect taxation	20
(-) Subsidies for current expenses	0
REMUNERATION OF LOAN CAPITAL	496
Charges for short-term capital	116
Charges for long-term capital	380
REMUNERATION OF RISK CAPITAL	1,087
Dividends	1,087
REMUNERATION OF THE COMPANY	2,635
Variation in reserves	2,635
OVERALL NET VALUE ADDED	21,729

TABLE:
Distribution of value added 2012. Values expressed in thousands of Euro.

5.3 Company development

The Rancilio Group will continue to develop its core business, in line with the corporate strategy, aimed at satisfying the various demands of the Ho.Re.Ca. market with its traditional (Rancilio and Promac) and with its fully automatic (Egro) coffee machines.

2013 will see the most important fair in the professional hospitality sector, HOST, in which Rancilio Group will take part with its full range of product technology.

Our objective is to consolidate our market position and further increase turnover and profits. New models will be introduced to supplement the corporate portfolio, aiming to respond promptly to and anticipate market trends in the sector of professional equipment for the preparation of coffee- and milk-based beverages.

A close-up, low-angle shot of a zipper, showing the teeth and the pull tab. The image is heavily tinted with a teal or cyan color, creating a monochromatic effect. The zipper is oriented diagonally across the frame, with the teeth pointing towards the top right. The pull tab is visible in the lower left corner.

6 OUR PARTNERS

Rancilio Group has always been investing resources and energy in building long-lasting relations with our customers, thanks to the willingness to listen and receive constant feedback.

We consider our commercial stakeholders as partners to all effects, on a shared itinerary of growth based on strategies of exchange and honesty. For this reason, our approach to the market is not limited merely to the supply of goods and services, but increasingly focuses on complete support for the whole life-cycle of our products.

6.1 Target market

The Rancilio Group commercial channel is composed of coffee roasters, distributors and assistance centres serving the various sectors of the hotel and catering industry, as well as companies that prepare and serve food and beverages.

Restaurants, bars and bistros, but also new venues for consumption that have recently been making inroads in the sector of professional catering, such as fast-food outlets, service stations, coffee shops and cafés, are monitored and followed by a network of over 1,050 partners all over the world.

In 2010 the Rancilio Group set up a department dedicated exclusively to Key Accounts, the major international chains operating in concept stores with global networks. The project aims to provide important support for the sales team and thus increase the efficiency of interaction with this type of customer, resulting in a focused commercial approach that can fully satisfy demand on an international scale.

6.2 The partnership strategy

We believe in long-term collaboration, leading to shared success and results. The strength of the Rancilio Group resides in the development of a series of complementary actions with customer companies and their specific needs. We support our partners in a route of progressive improvement, divided into various phases:

INITIAL PHASE: Drawing up a communication and sales plan.

STRATEGIC MARKETING: Identifying the best solutions to fully promote the company's products.

TECHNICAL AND SALES SUPPORT: Training and professional development courses.

ONGOING SUPPORT: Periodic visits by our representatives to our customers' offices.

DEVELOPMENT OF COLLABORATION AMONG PARTNERS: We encourage our speakers to share and exchange synergies with each other.

Understanding the business of our customers and the needs of the markets in which they operate is part of our job, and something that sets us apart. Our specialised internal resources provide our sales network with technical excellence, professionalism and experience.

The sales, customer support and marketing departments work in close contact to ensure rapid response times and to improve liaison processes with our partners.

6.3 Training activities

The Rancilio Group has three specific facilities dedicated to training activities, situated at the Headquarters of Villastanza di Parabiago (Milan), at the Swiss branch in Dottikon (Aargau) and at the Promac offices in Legnano (Milan). These informal, multifunctional spaces are dedicated to the organisation of technical courses, presentation of products and services, business meetings and coffee tastings.

The training centre at the group's Headquarters is one of the training facilities of IIAC, the International Coffee Tasters' Institute, set up to establish and spread scientific methods for the sensory assessment of espresso coffee.

We address the distribution network in a series of programmes aimed at widening the knowledge of the potential and features of the company portfolio.

Business services dedicated to the sales force include training and information sessions on the Rancilio/Egro/Promac ranges, and are crucial in helping partners promote our products to their best advantage. The sales team supports the distribution network during events and demonstrations aimed at acquiring new contacts.

After-sales service is one of our group's unique selling points and embodies its efficiency. Our qualified, helpful professionals can provide rapid, expert answers, and offer practical, concrete support in order to make our partners independent in the management of installation, maintenance and repair of the product range.

The objective of technical and sales training, which may be carried out both at the group's training centres and at the partners' Headquarters, is to help participants get to know the potentials and characteristics of the coffee machines and dosing grinders that the technology of the three corporate brands can offer.

During 2012 153 courses were organised – an increase of 4.8% compared to 2011 – with a total of 591 participants. This involved a commitment of 293 days by the customer support department.

6.4 Customer relations management

The Rancilio Group has for some time implemented a CRM system that brings together in a single information flow all the business areas that contribute directly or indirectly to partner satisfaction, facilitating direct contact between our team and outside interlocutors. As a matter of fact, customer relations are the company's vital asset, a resource that generates knowledge and value.

The many functions available on the Salesforce.com platform essentially regard the storage and management of details of acquired and potential users, noting how they contacted us, cre-

ating profiles that detail their individual role and position within the partner company, keeping track of activities performed for the customer, checking in real time on the correct application of commercial policies, performing marketing and communication campaigns, and managing after-sales services, specifying any claims or product defects.

Through these activities, the group is able to establish massive one-to-one relations at the same time, at the same time ensuring utmost efficiency and high information quality.

In this perspective, processing customer requests becomes an opportunity to come into closer contact with them and to demonstrate the quality of our offer and customer service system.

Between 1 January and 31 December 2012, customer support staff dealt with 2,391 cases, over 88% of which were resolved by the end of the year, with an average resolution time of 14 days, half that recorded for 2011.

The management of reports made by our partners performs an important dual function: on one hand, it helps us further improve our product range in the light of observations made by end users, by providing remedies and corrective or preventive actions; on the other hand, it allows us to increase satisfaction with the quality of the technologies developed.

The Rancilio Group considers the use of corporate newsletters to be of significant strategic importance, and produces them to reinforce client loyalty and to keep customers up-to-date with our activities:

STAY IN TOUCH

Sent by the marketing office, deals with new products, events and trade fairs, corporate information and main news in the Ho.Re.Ca. sector.

INFOTECH & SOLUTIONS

Set up to respond to the need of the customer support department to inform our partners on technical developments in the corporate product portfolio, improvements in components, after-sales assistance procedures and changes to standard specifications and spare parts.

CUSTOMER SUPPORT PORTAL

On the occasion of Host 2011, the international hospitality show, the company presented the new website dedicated to after-sales support, which offers a vast range of services with high added value for the Rancilio and Egro brands. Our partners – provided with personal USER ID and PASSWORD generated directly by our internal staff – can log in online and register the installation of a new product, send reports regarding functional problems, maintenance and cleaning, consult and download technical documents such as manuals and exploded views, purchase spare parts and send orders and request the replacement of components under guarantee.

6.5 The importance of external communication

The group has constantly invested and innovated to increase the brand awareness of its products. We have been committed to offering our public a single, consistent style, renewing over time not only our logos, but all our communication material. Great importance has been given to elegance and finesse in international meeting venues, with stands displaying a coordinated image for Rancilio and Egro, and showroom spaces in the various corporate offices revised according to this new livery.

In particular, following the takeover of Egro, we significantly repositioned the Swiss brand to ensure its perfect integration with the philosophy of the parent group Rancilio. Using more robust and legible lettering, the company name was given greater emphasis, and the payoff “Swiss Coffee Technology” made the goals of its highly automated products clearer and more immediate.

The Rancilio Group presented itself at the 2009 edition of HOST, the most prestigious event in the sector of professional catering, with its new architectural and communication concept. The stand layout was designed to welcome Egro and create a strong group identity, in an area characterised by plays of light evoking the corporate colours: green for Rancilio and red for Egro. On this occasion, the group launched the first product resulting from Italian and Swiss technological synergy: Egro ONE.

In 2012 the company took part directly in 16 trade fairs organised in Europe, Asia and North America. In addition to these, there were shows attended by our partners, whom we assist in the design of their stands, in line with the image of the group, and by providing specific promotional material. Moreover, our area managers are always present at these events in person, actively providing assistance and support.

A key role is also played by integrated communication on all media, from the more traditional, such as the trade press, to the use of video and multimedia applications. The corporate websites, the Facebook pages and the YouTube channels are monitored and periodically updated in order to improve interaction with our users and share with them the daily life of our group. The Rancilio Group considers relations with the main media one of the crucial elements not only of public relations activity, but also of its way of doing business and how it is perceived by its reference market, and pays particular attention to the economic, commercial and social aspects of the various national and international contexts. Moreover, the Rancilio Group has never fallen afoul of regulations and voluntary codes governing marketing and communication activity, including advertising, promotion and sponsorship. This once again emphasises the clarity, effectiveness and adequacy of the information initiatives aimed at our partners.

6.6 Some projects for 2013

During the 38th edition of the exhibition HOST, we will present the new graphics and layout of the Rancilio and Egro websites, in which extensive space will also be given to the themes of environmental and social sustainability, showing the group's concrete commitment to the development of responsible management.

In order to stress the central role we attribute to our customers and their needs, a new document platform will be set up to ensure that external partners also have immediate access to information on products in our range, and can download logos, photos, videos, catalogues, technical information sheets and manuals in real-time.

In addition, the customer support portal will be progressively developed, with the implementation of new functions. With a rapid link to the Salesforce.com platform, our partners will be able to personally send requests for assistance to the Italian (specialised in traditional technologies) and Swiss technical staff (with expertise in highly automated systems).

Registered users will enjoy the chance to consult and exploit information from similar cases already solved by the after-sales department, and easily find the best solutions for the issues encountered during use.

We believe in long-term collaboration, leading to shared success and results.

Understanding the business of our customers and the needs of the markets in which they operate is part of our job, and something that sets us apart.



7 SUPPLIER RELATIONS

The Rancilio Group gives primary importance to the management of purchasing processes, which guarantee the development of products with constant, reliable performance. Our professional, long-lasting collaborations are based not only on competitively priced supplies, but are above all linked to the respect for agreed schedules, supply safety and the desire to contribute actively to the group's on-going growth.

We believe that the company's capacity to provide high-quality products and services is strongly influenced by the suppliers' ability to contribute to this result.

In view of this, we have developed consolidated supply relations over time, with the mutual exchange of experiences and expertise, aimed at safeguarding consistent quality for our company's range of products.

Within the scope of managing relations with our providers, the supplies and logistics office, situated in the Headquarters at Villastanza di Parabiago, has the task of identifying the best technological and economic opportunities offered by the market, managing negotiations for the supply of goods and services and ensuring the correct application of business processes for the various cost centres.

Assessment of the supply chain

Over the years, we have found necessary to set up and implement a system for the as-
sessment of our suppliers, in the interest of continuing growth and consolidation of the
values that guide our company.

The procedure involves monitoring the quality of the incoming goods, calculated on the
basis of an index known as SQL (supplier quality level) and in relation to the percentage
of total components rejected. Environmental aspects are also taken into account by fil-
ling in a specific questionnaire and performing an on site inspection.

The visit to the provider's premises must be carried out both at first assessment and
following any significant changes that could impact the suppliers' environmental per-
formance.

The supply chain is then submitted to initial analysis and to subsequent periodic revalua-
tions, which make it possible to subdivide the firms considered qualified and suitable to
satisfy the standards required by our Group into three categories:

CLASS A
Suppliers whose functional or aesthetic importance could compromise product reliability
and safety;

CLASS B
Suppliers of high functional or aesthetic importance but not able to damage product
reliability and safety;

CLASS C
Entities that do not fall within the previous two categories.

On the one side, this process is aimed at efficiently collecting the information necessary
to make an informed choice of suppliers. On the other side, the results obtained also pro-
vide benefits for the vendors themselves, who will receive feedback on the performance
of their products and services, and a wide range of concrete suggestions on how to plan
further improvement.

Geographical breakdown

The Rancilio Group gives priority, compatibly with our quality and quantity requirements,
to Italian suppliers, the majority situated in Lombardy in the provinces of Milan and Varese.

This approach confirms the company's positive impact on the local economy, and stres-
ses the group's desire to work on profitable interaction with the community around the
Headquarters at Villastanza di Parabiago.

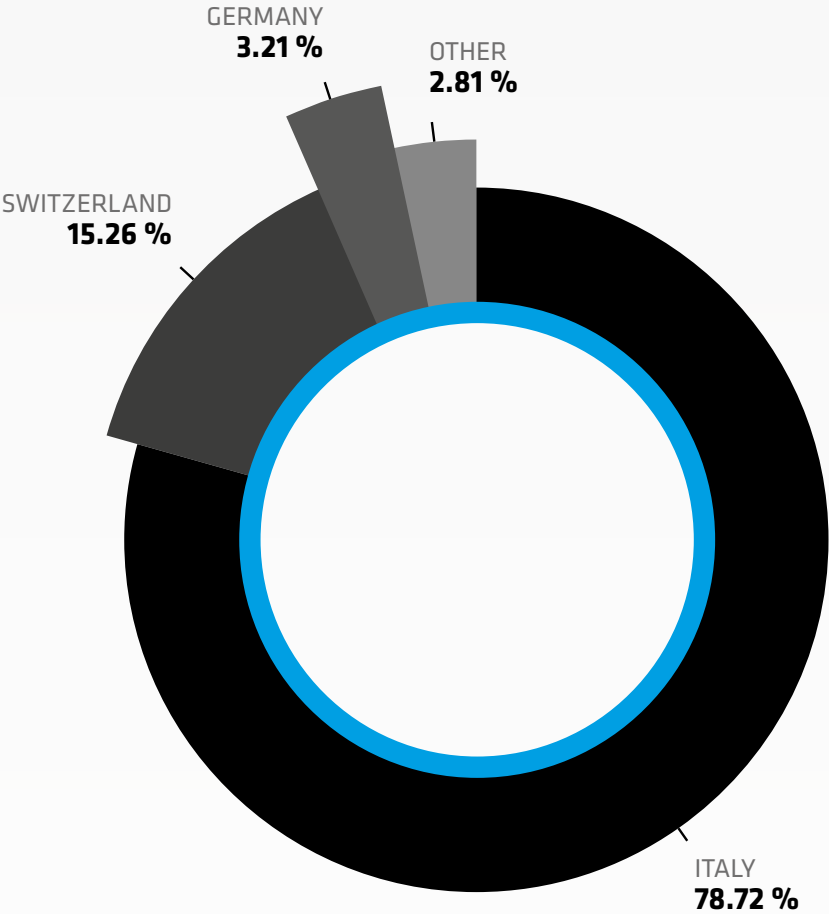


CHART :
Geographical distribution of suppliers 2012.

7.3 Quality control and use of raw materials

The on-going pursuit of high quality standards in machinery and equipment has led our group to achieve an important result: certification of its quality management system according to the international standard UNI EN ISO 9001:2008.

During the entire supply chain process, six inspections are carried out in order to satisfy our customers' product safety and reliability requirements:

1st LEVEL

The purchased components are subjected to a series of procedures to assess their effective suitability.

2nd LEVEL

Each boiler is checked to ensure that it corresponds to water-tightness and capacity requirements.

3rd LEVEL

Examination of the electrical and hydraulic circuits of all pre-assembled parts.

4th LEVEL

Commissioning simulation (average duration of 3 hours, 40 minutes).

5th LEVEL

Safety tests to assess earthing characteristics, isolation resistance, electrical insulation strength and leakage current.

6th LEVEL

RANDOM TESTS A sample of machines is taken daily from packed products for a further final check.

The product coffee machine is the result of combining a wide range of components, assembled with care and dedication by our staff assigned to operative tasks. Based on the range of Rancilio and Promac traditional espresso equipment, we have estimated the composition of a representative coffee machine, to illustrate with precision and in detail its main component materials.

One of the main strengths of our manufacturing process is the construction of the boiler – the heart of the machine – entirely in-house.

Starting with a sheet of copper 1.5 mm thick, highly qualified staff deal with the folding and soldering phases. These are followed by numerous functional tests to ensure high efficiency for the end users.

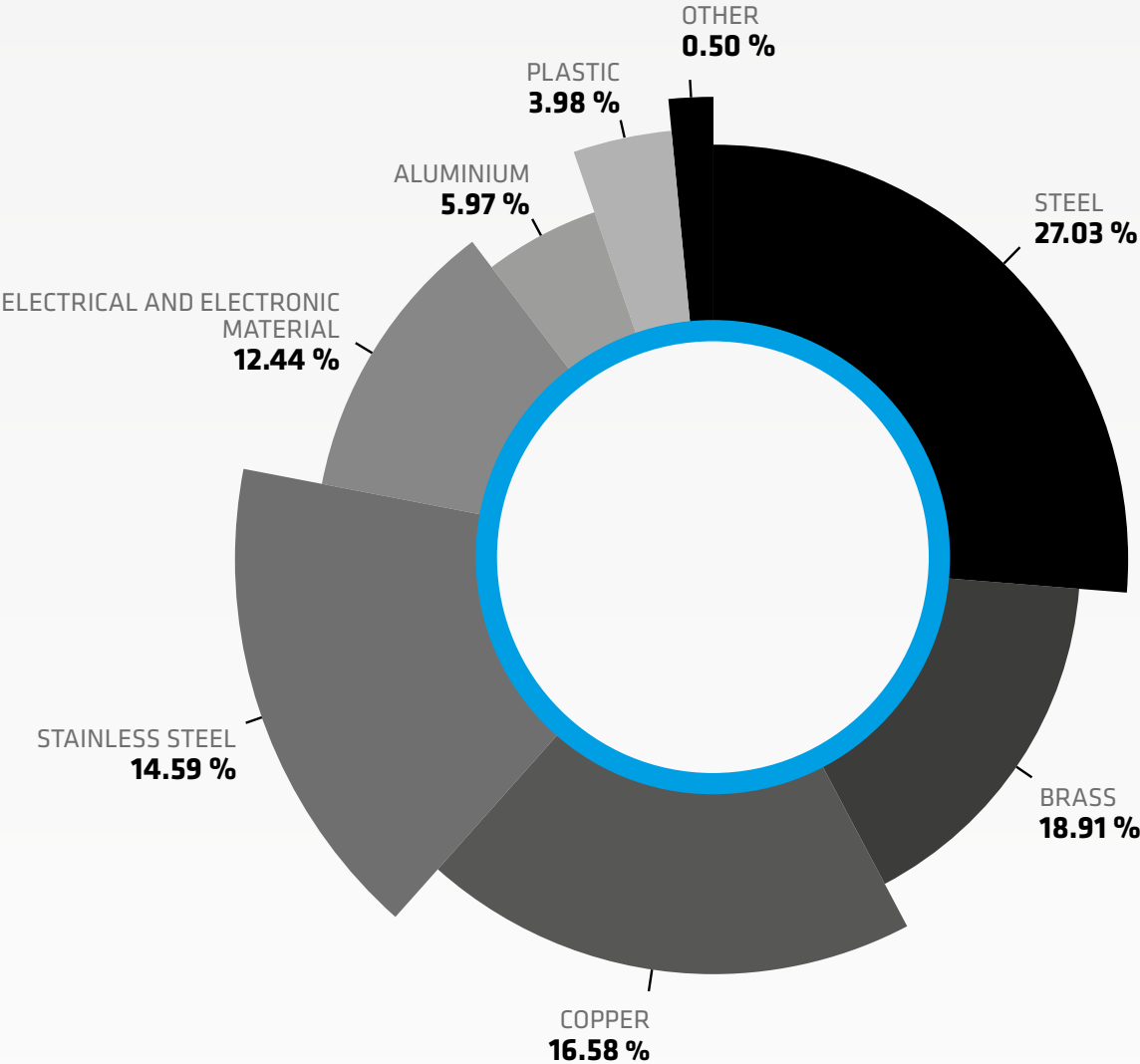


CHART:
Average breakdown in weight of a traditional coffee machine .

7.4 Commitments for the future

We are aware that our influence on the suppliers of goods and services may yield benefits for all our stakeholders, through an approach based on the promotion and diffusion of good practices of social and environmental responsibility.

Our mid-term objective is to emphasise responsible behaviour throughout the supply chain, promoting long-lasting, mutually satisfying collaborations, also with a view towards sustainable development.



8 THE COMPANY TEAM

In the Rancilio Group, people are a key factor for excelling in the market and consolidating the team spirit.

Relations based on loyalty and good faith are at the basis of a productive, stimulating working environment.

“The story of our group has always been intertwined with that of all those people who have dedicated their whole working life to the creation of a strong, competitive business. We are proud of our staff, because they are behind the company’s success. Our greatest commitment is to protecting their health and safety, opportunities for professional development and job safety”.

Giorgio Rancilio, President.

8.1 Employees in figures

As at 31 December 2012 the group's overall staff numbered 230. Despite the fact that the metalworker sector is a traditionally male stronghold, the Rancilio Group has managed over time to increase the percentage of the female laborer, which now accounts for approximately 37%.

The company encourages the development of a multicultural climate capable of exploiting the potential of all our employees based in the various countries, and to provide them with the chance to express their talent and contribute to achieving the corporate goals.

We deem the presence of a variety of skills and experience as a fundamental factor for creating an unique, distinctive group identity, and have utmost faith in our local managers. 87.5% of the directors and managers of the foreign branches work in their country of origin. Over the years, our international approach has led to the development of a corporate philosophy widely shared not only by the Italian staff, but also by those who work around the world, while fully respecting their specific geographical context.

We are irrevocably committed to job stability – an area the company management has never neglected. Continued employment and job security are clearly shown by the low employee turnover in all our offices, and by the fact that 90% of the workforce are on open-ended contracts. Moreover, in 2012 the level of absenteeism was below the national average in the sector, standing at 2.6%.

The management of employment relationships takes place with full respect for the principle of equal opportunities, without any distinctions made on the basis of gender, marital status, religion, political and trade union affiliations, race, age or physical status. Discrimination in every aspect of working life is prevented in the recruitment phase and also in any decisions regarding wages, professional status, the assignment of duties and career progression.

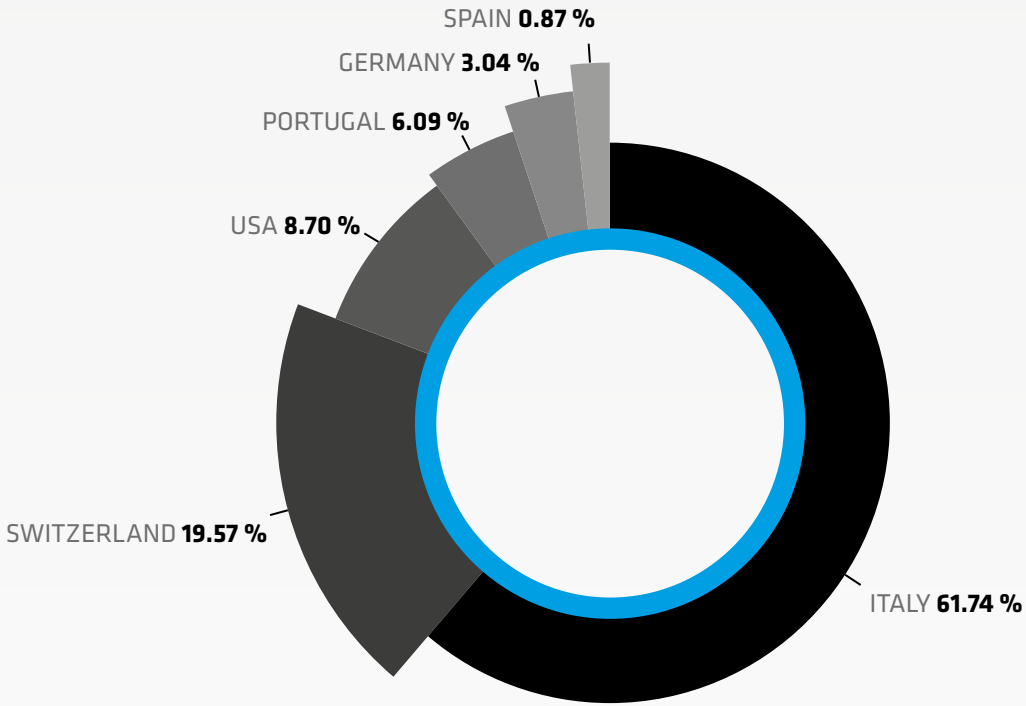


CHART:
Percentage distribution of the Rancilio/Egro/Promac team worldwide .

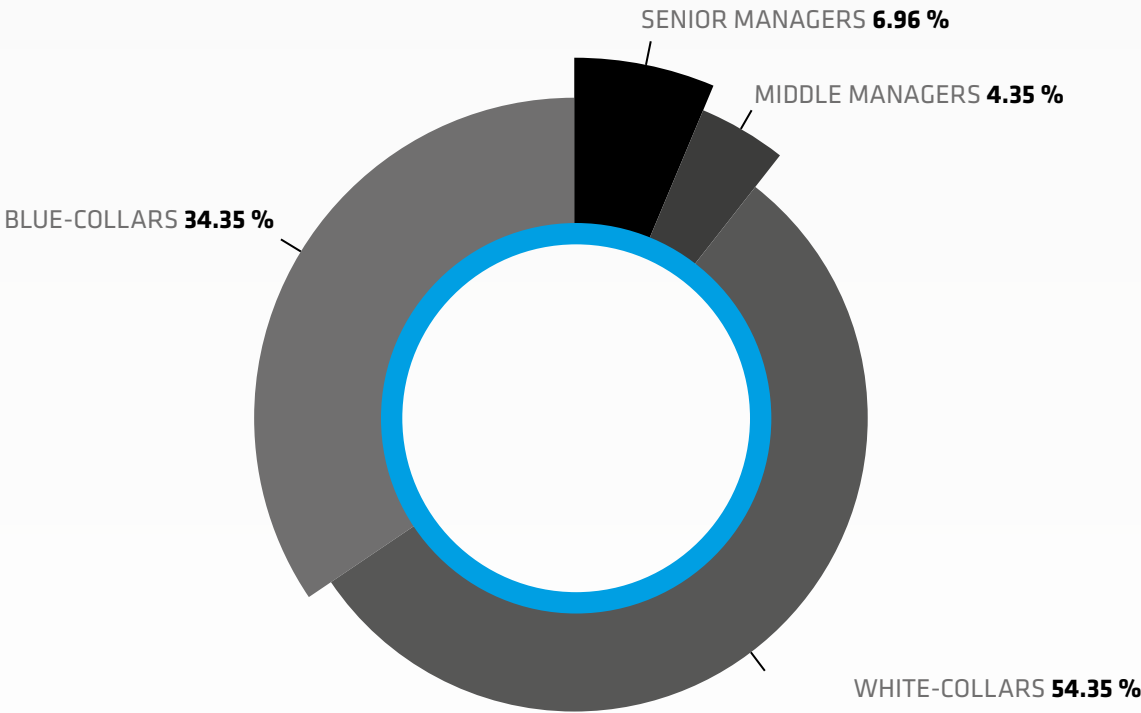


CHART:
Employees divided by status within the company .

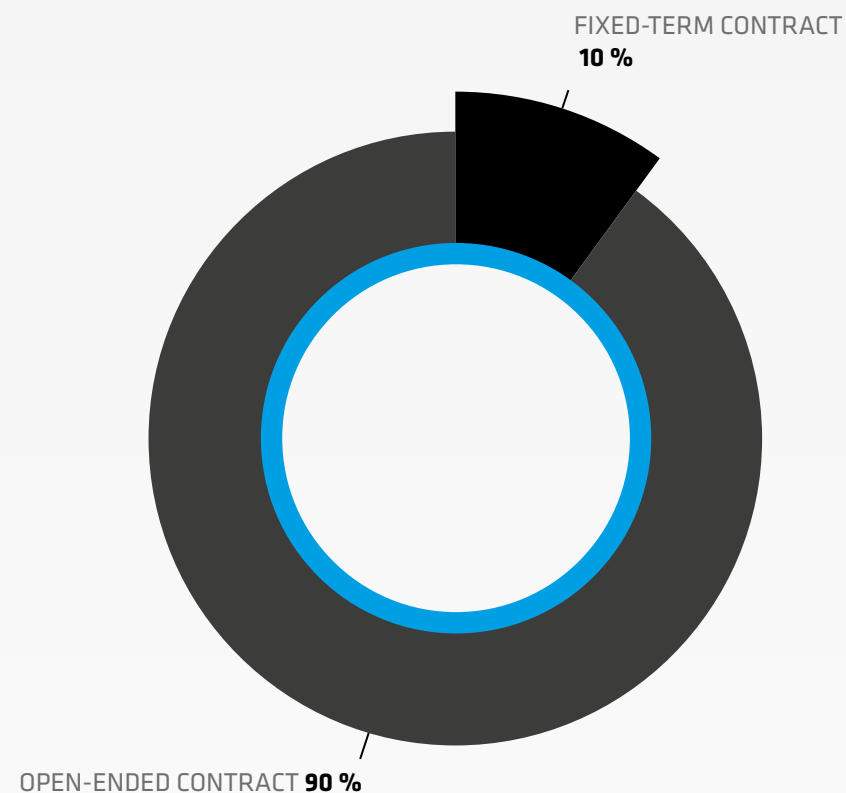


CHART:
Employees divided by type of contract.

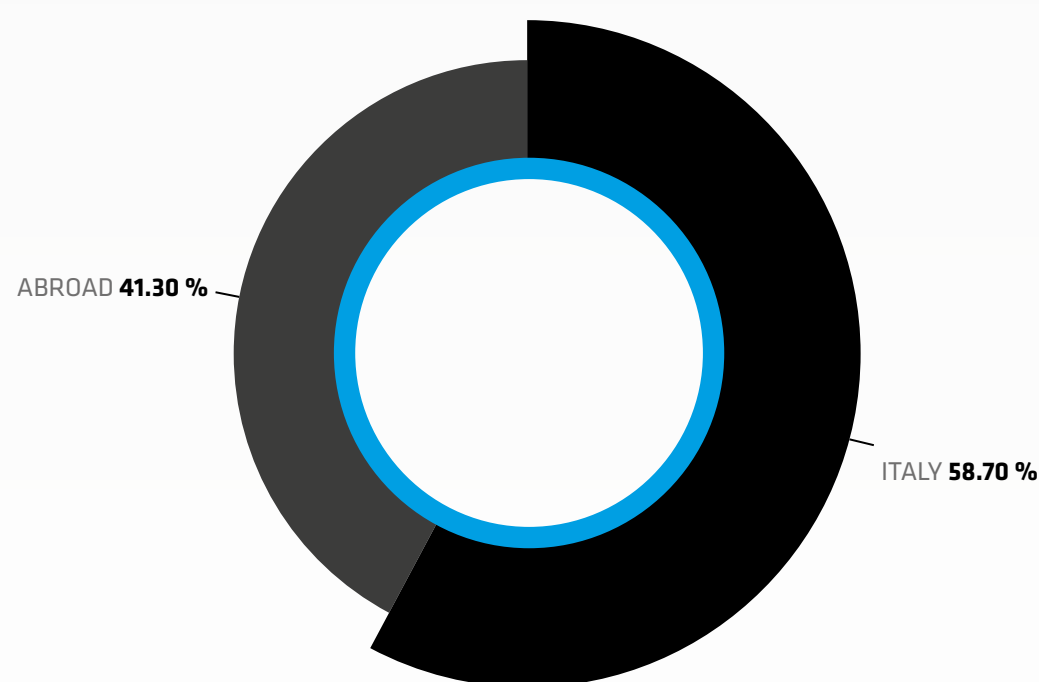


CHART:
Proportion of Italian and non-Italian employees.

8.2 Health and safety

The Rancilio Group protects health and safety in the workplace by implementing policies based on the elimination of potential situations of risk.

The corporate prevention and protection service promotes conditions that ensure the highest degree of quality of working life and the improvement of physical, psychological and social well-being in the workplace.

Our group undertakes to spread and consolidate a culture of safety by raising awareness to risks, and by promoting responsible behaviour by all workers in line with the provisions of legislative decree 81/2008 and subsequent additions. With this in mind, a training initiative has been planned for 2013, involving all the organisational units (white- and blue-collar workers) of the Italian Headquarters, that will provide information on and update current procedures.

The strategies based on efficiency and mutual trust have made it possible to keep the level of accidents at work at an extremely low level. In the year under analysis there was only one case, of minor importance, affecting a manual worker at the central site of Villastanza di Parabiago.

Moreover, in 2012 there were no cases of illnesses which could be related to occupational diseases at any of the company sites.

8.3 Training

The Rancilio Group believes that investing in the professionalism and distinctive skills of its human resources is fundamental. This is why, in 2012, the company promoted a training programme of 1,090 hours for its staff. 12.48% of the annual working hours focused on mandatory training in safety in the workplace.

The courses involved all corporate departments and were divided into the following categories:

TECHNICAL TRAINING

Regarding our product range.

LANGUAGE TRAINING

To improve and consolidate knowledge of the major foreign languages.

IT TRAINING

Designed and carried out to provide, above all, practical preparation.

MANAGERIAL TRAINING

For senior managers and middle management, examining managerial techniques, leadership and organisational behaviour.

The objective is to offer opportunities for growth, in the conviction that meritocracy is the best instrument to achieve a successful team.

8.4 Initiatives for staff

There is a wide range of initiatives within the firm aimed at fostering employee-company relations and improving accurate communication to make it increasingly bidirectional.

COMPANY CANTEEN

With a friendly atmosphere and a diversified menu based on simple, seasonal ingredients. This is an excellent opportunity to encourage socialisation between our staff, at the same time making life easier for all those who live a long way from the Italian Headquarters.

COMPANY CAFE

A multi-purpose space that can be used whenever the staff wish to enjoy a coffee break, and where they can prepare espresso- and milk-based beverages using machines from the Rancilio and Egro range. In the group's Headquarters, this area also provides a large number of trade publications and magazines, so that staff can keep up to date with news and find detailed information on the Ho.Re.Ca. sector.

NOI HOUSE ORGAN

The main means of communication between company and staff. Available in Italian and English, it is an expression of everything that revolves around our world. The in-house magazine keeps employees constantly updated on the latest product news, major trade fairs and the events organised by the group. Fun and dynamic, it is issued every quarter by the marketing office and distributed to staff both in printed copies and digitally.

NOI LIBRARY

The company library situated at the Italian seat, where staff can borrow books from an extensive collection covering a wide range of categories.

NOI FAMILY

On Saturday 24 November 2012 the Rancilio Group opened its doors to youngsters. The children of our staff had the chance to learn about the world of coffee machines as told through metaphors, anecdotes, recreational and artistic activities.

VIRTUAL SHOWCASE

For more efficient vertical and horizontal communication within the group's Headquarters. It provides employees with an opportunity to keep constantly in touch with the company, easily and quickly.

8.5 An outlook on 2013

The Rancilio Group is fully aware of the importance of making a daily commitment to ensuring a pleasant working environment, paying particular attention to both environmental aspects and employee relations. In the course of 2013 the human resources department will be further developed by the introduction of a new managerial figure, with the ambitious aim of fully promoting a factor that, despite the innumerable technical innovations of the new millennium, remains, by far, the most important if we are to achieve significant successes: our people.

9

THE INSTITUTIONS

Relations with institutional stakeholders are managed centrally by the administration and finance department, based in our Headquarters at Villastanza di Parabiago. The continuous, immediate and complete flow of information is ensured by compliance with the corporate obligations laid down by current legislation on domestic and foreign markets. The aim is to ensure a correct assessment of the group's earnings prospects and investment plans.

9.1 The public administration

The correct, prompt payment of duties and taxes characterises the relations between our company and public bodies of reference on a national, regional, provincial and municipal level. The Rancilio Group regularly pays contributions and membership subscription fees to the independent bodies it interacts with, such as chambers of commerce, representative organisations and trade associations.

In the year under review, the sums distributed to the public administration amounted to €2,223,942, an increase of 42.69% compared to 2011.

The increased tax burden was above all due to higher pre-tax income and corporate income tax on company profits.

9.2 Credit institutions

The relationship between financial institutes and the group primarily involve support for the delicate management of business, financial and currency exchange risks associated with the performance of the group's operations.

In the course of 2012 we worked with a total of 15 banks, nine of which are situated near the group's Headquarters.

The dialogue with local banking institutions reduces problems related to information asymmetry and encourages the economic development of the surrounding territory.

The strategy adopted by the multinational is based on a debt structure mainly oriented towards the medium and long-term. All loans are unsecured and exclusively regard the parent company.

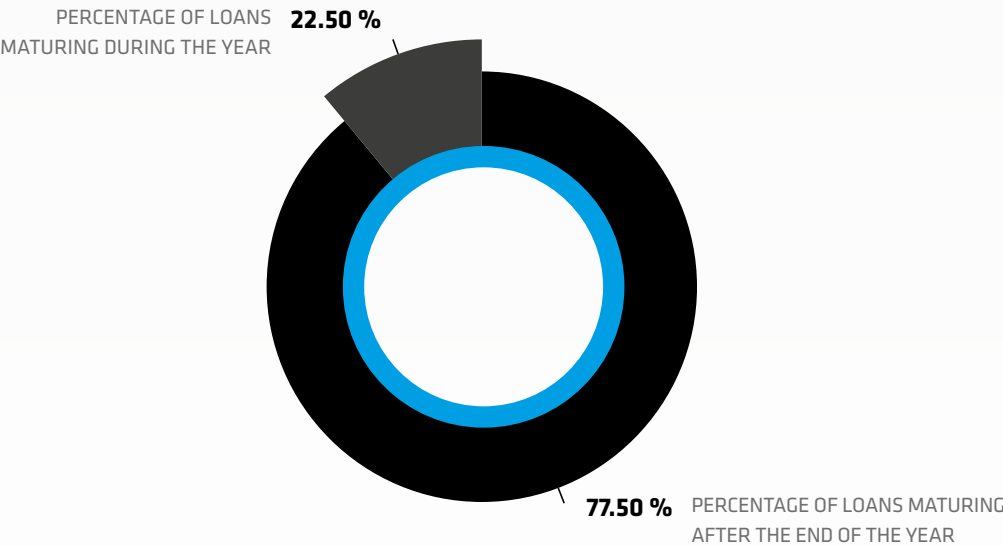


CHART :
Percentage impact of financial debts as at 31 December 2012.

The main financial indicators show an adequate balance between assets and liabilities, in terms of duration and repayment methods. The strength of the company's assets is emphasised by the consistent relationship between stable sources of funds and long-term investments.

INDICATOR	2012	2011
CURRENT RATIO - Current Assets/Current Liabilities	1.80	1.64
ACID TEST - (Current Assets - Stock)/Current Liabilities	1.20	1.06
CURRENT ASSET COVERAGE - Net Working Capital/Production value	30.26%	31.93%
ASSET COVER RATIO - Net Worth/Fixed Assets	133.26	135.45

TABLE:
Development of the corporate financial balance. Years 2011-2012.

INDICATOR	2012	2011
DEBT-TO-EQUITY RATIO - Debts/Net Worth	1.76	2.53
BANK DEBT RATIO - Banks debts/Net worth	0.88	1.35
LEVERAGE - Total Assets/Net Worth	2.95	3.84

TABLE:
Trend of the Rancilio Group's degree of indebtedness. Years 2011-2012.

Another important index that is usually nominated with the mention of its items at the numerator and denominator is the relation between NFP (Net Financial Position) and EBITDA. The indicator has always recorded a positive value and stands at 0.97 in 2012 and 1.83 in 2011, earning the Rancilio Group an extremely good rating and indicating a minimal risk of default.

9.3 Guidelines for 2013

Also in the coming year, we are committed to maintaining the high credit class assigned to our group by leading banks and business information companies.

The rating is a concise indicator that measures the company's commercial reliability and financial strength.

We consider it essential to have our results and performance assessed and judged by independent bodies specialising in the field, since this provides the company with important support in understanding in detail the position on global markets, while also representing a vital tool for planning future development programmes.



10 THE TERRITORY AND LOCAL COMMUNITIES

Our notion of corporate social responsibility is also seen in our outstanding capacity for interacting with local people and the community and establishing a synergistic relationship with them. This has allowed us to offer the market a business model with a human face, perfectly in harmony with the values that we are committed to spreading to our stakeholders.

The collaboration with prestigious Italian and foreign universities, projects involving local schools, support for major partners involved in important social initiatives, and our commitment to sport are at the basis of the Rancilio Group's dedication to creating a sustainable business.

10.1 **Networking with the world of education**

We believe in strengthening the ties between companies and schools by consistently providing opportunities for pupils and students to come closer to a genuine working reality, with guided tours to our Headquarters that serve to enhance the learning process, as embedded with the various vocational pathways.

AMERICAN UNIVERSITIES

For the second consecutive year we have renewed our collaboration with the company ISP, International Study Programmes, set up in 1999 to support university students in academic tours organised in over 60 cities around the world. On the occasion of the prestigious Suffolk University in Massachusetts visiting Milan, the Rancilio Group was once again selected as a company of interest.

COFFEE STORIES

It is a programme aimed at primary and secondary school pupils, to whom the group offers the chance of visiting the production facility and company museum. In 2012 we opened our doors to over 180 guests, who gained first-hand experience of how a professional coffee machine is produced.

I'LL TELL YOU THE STORY OF A COMPANY

It is the title of an interesting project organised by Assolombarda, aimed at encouraging communication between students and local businesses. Through the lens of a camera, some students from the two-year photography course of the C.F.P. Bauer in Milan had the chance to cross the factory's threshold at Villastanza di Parabiago and take photos of what happens inside the company. This photographic shoot formed the basis for a display of around 30 images, exhibited in the foyer of the Milan Auditorium dedicated to Gio Ponti, running from 16 July to 30 September 2012.

Since 1995, ten scholarships have been awarded annually in memory of Romano Rancilio, a member of the group's second generation, for middle schools situated in the area of Villastanza di Parabiago and San Lorenzo. The initiative, which in 2008 became the **OPTIMALLY** project, acknowledges academic excellence, and rewards those pupils who have shown particular merit and dedication.

10.2 **Solidarity and social commitment**

Humanitarian actions and support for our partners testify to the Rancilio Group's response to the need of promoting ethical business practices.

RONALD MCDONALD HOUSE IN FLORENCE

In 2012 the Rancilio Group donated a fully automatic Egro ONE coffee machine to the Ronald McDonald house in Florence, which opened its doors on 8 March 2013, to provide a calm, appealing environment for families of babies and children needing to spend time in the nearby Meyer children's hospital.

HAPPY RUNNER CLUB

We are one of the sponsors of the amateur sporting association Happy Runner Club, promoted by McDonald's Italy, open to all those who love running in the open air.

DOCTORS WITHOUT BORDERS

In 2012, Promac Italia supported the intervention of the medical-humanitarian organisation Doctors without Borders in the Somali Region of Ethiopia, sending an e-card to customers, employees and corporate contacts that outlined the main objectives of the ambitious project, so as to guarantee qualified medical assistance in what is considered one of the poorest areas in the whole of Africa.

SUPPORT FOR EMPLOYEES OF OTHER COMPANIES

Due to the serious crisis which affected an important supplier in 2012, the company management and the staff decided to forgo their traditional Christmas dinner and to donate the equivalent value in money as a gesture of solidarity to the families of the workers going through a period of extreme difficulty.

10.3 **Rancilio and sport**

We consider sporting activity to be a fundamental instrument in the development of certain basic principles of society, such as tolerance and fair play. The social and educational role of sport has always been acknowledged within our group.

GS RANCILIO

It was 14 March 1976 when some company employees, united by their passion for cycling, set up a small project that was destined to become a great success. With the support of the company, which encouraged its birth and growth in the early years, the Gruppo Sportivo Rancilio soon became an association with a life and management of its own. Its

pride and joy has always been the organisation of the “Trofeo Antonietto Rancilio”, with its 29th edition in 2012, which still evokes fascination in bicycle racing aficionados. In more recent times, GS Rancilio has undertaken an initiative of great social impact linked to the EHC (European Handbike Circuit) Association, which over the years has managed to become the driving force of European handbiking, attracting the interest of various nations and organisers, but above all, athletes. In 2012 the Gruppo Sportivo Rancilio received an award from the Provincial Committee of Milan for its 35 years of activity.

NINO RANCILIO MUNICIPAL SPORT CENTRE

In 1980 Antonietto and Romano, two of the group’s second generation representatives, donated 7,500 square metres of land owned by the Rancilio family to the Town Council of Parabiago, where a sports field in memory of their brother and entrepreneur who died in 1968, will be built.

RANCILIO BOWLS CLUB

From the historical archive of our group, preserved at the Officina Rancilio 1926 company museum, precious documents dating back to 1958 emerged, which attest the creation of a bowls club sponsored by Rancilio. This is yet another example of how our company strongly believes in sport as a means of socialising and sharing important goals.

10.4 Enterprise culture

The company’s activities aimed at promoting enterprise culture are translated into a series of initiatives in which the Group’s nominal commitment often coincides with that of the Rancilio family members.

OFFICINA RANCILIO 1926

Inaugurated on Friday, 8 October 2010, as the brainchild of Giorgio, Roberto, Luca and Silvia, members of the family’s third business generation, the museum aims to promote and exploit the brand’s historic assets and jealously guard the family’s mementoes. The museum is located in the centre of Parabiago, at Via Don Galeazzi 22, in part of a redeveloped building on the former Rancilio manufacturing site. Today, almost 90 years after the founder embarked on his journey, the land which was home to Officine Meccaniche Roberto Rancilio has once more become a place to meet and show the public the technological excellence of the company’s products, real jewels of engineering and design from a bygone age. The Rancilio family makes the museum space available to the company so that it can organise guided tours, temporary exhibitions, competitions, training placements and research acti-

vities for scholars, trade professionals and enthusiasts, attracted by their wish to discover the history of the group. Officina Rancilio 1926 represents a genuine tribute to the town of Parabiago by four entrepreneurs who have always felt a strong sense of their roots.

MUSEIMPRESA

It is the Italian association of the company museums and archives. Its members, including Officina Rancilio 1926, tell the story of their companies and main protagonists through the conservation and display of documents, visual media, objects and machinery. Museimpresa was set up to encourage a new cultural policy based on the awareness that company museums represent a resource that still holds untapped potential for development.

The wonderful Italian way of life is, in fact, the most important cultural asset of this country, and if “Made in Italy” is a source of pride throughout the world, much of the merit also goes to those companies that have put quality before quantity in the creation of their products.

ENTERPRISE CULTURE WEEK

It is a nationwide initiative promoted by Confindustria that has taken place in autumn every year since 2001, in collaboration with the various regional associations in the Museimpresa circuit. For the 2012 edition, Officina Rancilio 1926 remained open outside normal business hours, offering visitors to walk a path steeped in history: “The city of machines from the Rancilio historical collection” – fascinating everyday objects, preserved in the place where the brand was born in far-off 1927, accompanied the guests on an extraordinary journey to discover the ritual of espresso.

10.5 Our plans for 2013

The Rancilio Group is committed to consolidating and optimising projects aimed at consulting, informing and including the various local communities. In 2013 the company will be involved in university activities with the objective of studying examples of Italian entrepreneurial success.

Moreover, Officina Rancilio 1926 is currently engaged in a long process that will lead to its being listed among the official museums of Lombardy. This is an uphill task, since there are currently no regulations that deal with the inclusion of company museums in the regional network.

An aerial photograph of a landscape with a winding road and a wind turbine. The image is split vertically: the left half is in a teal/blue color, and the right half is in a dark grey/black color. The road curves from the bottom left towards the center, where a wind turbine stands on a small rise. The background shows rolling hills.

11 ECOLOGY AND THE ENVIRONMENT

The Rancilio Group is committed to protecting the future of the planet through the responsible management of natural resources, the implementation of low consumption manufacturing systems and the use of alternative energy sources.

Since the opening of the Headquarters at Villastanza di Parabiago, significant progress and numerous investments in the environmental field have been made, such as obtaining the UNI EN ISO 14001:2004 certification and the progressive heat insulation of the manufacturing facility.

11.1 Environmental management system

In line with the adoption of the ISO 14001 system, every year the Rancilio Group establishes new efficiency and environmental protection goals. These objectives represent the company's genuine commitment to continuously improving its entire operating, production and administrative processes in full compliance with applicable legislation.

The main aspects of the environmental management system are set forth in the environmental policy document. Drawn up by the company management, this is an important tool for establishing programmes that implement responsible growth strategies. The document is reviewed periodically on the basis of how the Group's activities affect the surrounding area.

Moreover, the firm establishes and implements appropriate controls, including periodical reviews, to ensure that the environmental policy is adopted and applied in a strict and committed manner, according to objective, neutral assessment criteria.

This is achieved using management tools that encourage the consolidation of an environmental culture within the organisation, through the involvement of all its members.

11.2 Energy efficiency at the production facility

For years we have been rigorously pursuing a green approach to every manufacturing process. This is demonstrated by the important project carried out in 2010, aimed at replacing the old asbestos roof of the factory workshop in Villastanza di Parabiago with state-of-the-art solar panels.

The photovoltaic plant, which covers an area of over 8,000 m², has the objective of transforming thermal energy generated by the sun into electrical power.

The solar farm has the capacity to entirely satisfy the energy needs of the Italian production site, generating approximately half a megawatt of energy for use by the company every year. The surplus is fed into the national grid, once more showing the Group's consideration for the surrounding area, seen as a social, cultural and life resource.

In 2012 494,752 kWh of renewable energy were produced, reducing harmful emissions of carbon dioxide into the atmosphere by 252,041 kg.

The Rancilio Group cleans the photovoltaic panels once a year to maintain consistent production and ensure correct system operation.

Among the other interventions carried out with a view to sustainable development, profound importance is given to heat insulation of the company's production facility. Over the years, this has made it possible to achieve a constant reduction in the consumption of methane gas, used for air conditioning in the industrial facility.

Throughout the group's Headquarters, copper, brass, steel, aluminium, paper, cardboard,

glass and plastic waste are collected separately to actively contribute to the optimal disposal of some important raw materials.

The Rancilio Group exclusively uses biodegradable oils and products for production machinery that requires the use of lubricants.

Moreover, the cleaning required to remove any residues of grease, dust and vapour from finished products, carried out before the packing and shipment of goods, involves the use of special washable, reusable cloths.

11.3 Sustainability according to Rancilio and Egro LABs

Developing reliable, high-performance solutions for the company, is a daily challenge and a matter of quality and transparency. In order to obtain this result, studies on new technologies focus principally on certain aspects of strategic importance:

- *the search for innovative materials, also in terms of environmental impact*
- *the reduction of energy consumption during the use of machinery and equipment*
- *finding individual solutions that focus attention on the health and safety of customers*

In recent years the link between innovation and sustainability has been expressed by the realisation of the following projects:

XCELSIUS

Independent brewing groups mean that users can decide whether or not to turn them on, thus optimising energy consumption.

ABM.07 ADVANCED BOILER MANAGEMENT

Makes it possible to control the power absorbed by the coffee machine, cutting it to 2/3 of the normal value, for greater adaptability also in locations with medium-low daily consumption.

EGRO ZERO

By complying with the EuP Directive, this ensures energy consumption in standby mode of less than 0.5 W.

INSULATING BOILERS

In the EGRO range ensure energy savings of 20%.

EASY CLEAN

In the fully automatic ONE, the self-guided cleaning cycle is the quickest currently available on the market, and allows lower energy and water consumption.

We meticulously respect national and international directives in the field of product certification, obtained as a result of conformity tests carried out by accredited bodies.

In Europe, checks are performed on compliance with directives regarding machinery, low voltage, electromagnetic compatibility, pressurised equipment and all regulations applicable to the products designed by Rancilio and Egro LABs.

On the North American market, we guarantee compliance with local safety and food regulations.

In the rest of the world, we use the CB (Certification Body) system, created by the IECCE (International Commission on the Rules for the Approval of Electrical Equipment), which issues an international passport for the commercialisation of the technologies developed.

On a voluntary basis we decided to adopt the NEMKO (Norges Elektriske Materielkontroll) mark, recognised worldwide as a guarantee of high reliability.

Over time, our products have obtained numerous certifications which further emphasise the quality of the range offered to our partners:

- **China Compulsory Certification CCC**
- **China Quality Certification CQC**
- **C-TICK Australia and New Zealand**
- **Electrical Testing Laboratories ETL**
- **Korea Certification KC**
- **Instituto Nacional Metrologia Qualidade Tecnologia INMETRO**
- **Saudi Arabian Standards Organization SASO**
- **Technical Regulations TR**

The coffee machines branded Rancilio/Egro/Promac are monitored during all the production process through daily examinations of health and suitability for the end user.

11.3 Disposal of products

A coffee machine is a highly recyclable product, thanks to its high percentage of metal components. Moreover, since this is professional equipment, it is periodically revised using scrupulous technical tests, with parts and components replaced or repaired as necessary. The RAEE Directive obliges manufacturers of electrical and electronic equipment in Europe to guarantee the recovery and recycling of products at the end of their life cycle and no longer in use.

In 2005 the Rancilio Group contributed to setting up the Ecocaffè consortium, funded by bar machinery and equipment manufacturers in the trade association ASSOFOODTEC/UCIMAC.

With reference to the home consumer market, and specifically the Miss Silvia coffee machine and Rocky dosing grinder, the company avails itself of Ecoped, that deals with the disposal of small electrical appliances.

Both consortia are given funding in proportion to the number of products effectively put on the market by the member companies.

11.4 Energy consumption and atmospheric emissions

The sources of the group's energy consumption fall within three main categories:

ELECTRICITY

For various industrial uses and offices.

METHANE GAS

For the manufacturing process and the air conditioning of the premises.

DIESEL and GPL

To fuel in-house vehicles used for the transport of goods and materials. This category of fuels is of minor importance for the energy requirements of the Italian Headquarters and has therefore not been subject to detailed reporting.

In the two-year period of reference, the company succeeded in its ambitious task of reconciling increased production and sales with a significant cut in energy consumption.

This result was also achieved by outsourcing the pressing and moulding of brass sheets, installing photovoltaic panels on the roof of the production facility and the outstanding redevelopment of the building.

RANCILIO GROUP S.P.A. Headquarters Villastanza di Parabiago (MI)	2012	2011
ELECTRICITY	1,806.36	1,831.05
METHANE GAS	6,740.23	7,503.14
TOTALE	8,546.59	9,334.19

TABLE:
Direct and indirect energy consumption 2011 – 2012. Values expressed in gigajoules (GJ).

RANCILIO GROUP S.P.A. Headquarters Villastanza di Parabiago (MI)	2012	2011
ELECTRICITY	0.09	0.10
METHANE GAS	0.35	0.43
TOTAL	0.44	0.53

TABLE:
Specific energy consumption 2011 – 2012. Values expressed in gigajoules (GJ).

Atmospheric emissions derive mainly from the combustion processes associated with boiler manufacture and heating of the premises.

We have set the on-going reduction of CO2 emissions as one of our main improvement goals for the coming years.

RANCILIO GROUP S.P.A. Headquarters Villastanza di Parabiago (MI)	2012	2011
DIRECT	312.89	348.30
INDIRECT	722.55	732.42
TOTAL	1,035.43	1,080.72

TABLE:
Carbon dioxide emissions, 2011 – 2012. Values expressed in tonnes (tn).

Substances that are harmful for the ozone are exclusively found in the refrigerating li-
quids used in our closed-circuit air-conditioning systems. The group does not therefore
emit such substances into the atmosphere, except in the event of accidental leaks unre-
lated to the company’s manufacturing activity.

11.5 Water consumption and waste generated

The Rancilio Group carefully monitors its hydro consumption and the quality of its waste
water. It has been estimated that over 50% of the water taken from the grid in 2012 was
used for testing and inspecting our products.

With regard to the quality of the water used, of singular importance is whether the water
has been purified so that lime scale and other impurities do not alter the reliability and
safety of the coffee machines sold on the market.

Under town council authorisation in force since 2004, hydro waste produced by the He-
adquarters at Villastanza di Parabiago flows into the public sewers, since it is similar to
urban civil waste.

RANCILIO GROUP S.P.A. Headquarters Villastanza di Parabiago (MI)	2012	2011
USE OF GRID WATER	1,860	2,041

TABLE:
Consumption for industrial/civil use, 2011 – 2012. Values expressed in cubic metres (m3).

Moreover, with reference to the manufacturing activity on the Italian sites, we estimate
that approximately 90% of the water taken from the grid system is fed back into the pu-
blic sewers after use, while the remaining 10% is used for the maintenance of green are-
as, food and drink, or is lost as a result of evaporation and leaks in the water grid system.

The waste generated by the group at its Headquarters is due to discarded metal material
and packing products.

Hazardous waste, in insignificantly low quantities, is represented exclusively by lead bat-
teries used in forklift trucks and similar machinery.

RANCILIO GROUP S.P.A. Headquarters Villastanza di Parabiago (MI)	2012	2011
HAZARDOUS WASTE	838	410
NON-HAZARDOUS WASTE	95,555	103,091
TOTAL	96,393	103,501
TOTAL WASTE RECOVERED OR RECYCLED	0	0
TOTAL WASTE DESTINED FOR DISPOSAL	678	410
TOTAL WASTE DESTINED FOR RECOVERY	95,715	103,091

TABLE:
Generation of waste, 2011 – 2012 Values expressed in kilograms (kg).

RANCILIO GROUP S.P.A. Headquarters Villastanza di Parabiago (MI)	2012	2011
NUMBER OF MACHINES	19,352	17,519
PAPER AND CARDBOARD	2.47	2.57
SIMILAR	1.32	1.62
BRASS	0.24	0.06
IRON	0.58	0.90
STAINLESS STEEL	0.04	0.21
ALUMINIUM	0.11	0.09
COPPER	0.32	0.39

TABLE:
Quantity of waste produced/number of machines manufactured 2011 – 2012.

11.6 Biodiversity

The activities performed by the Rancilio Group at its production facility were not found to have any consequences on the biodiversity of the surrounding areas.

The Headquarters of the multinational are situated near the Rocco National Park, a major part of the provincial ecological network that is home to a series of crops typical of the Po Valley, such as wheat, barley, rye and alfalfa. It is also used for cattle rearing as well as many related activities, such as agritourism centres, stables and the direct sale of locally grown products.

The waste water and refuse generated by Rancilio Group do not have any impact on the bodies of water in the sensitive areas or on the habitats of local flora and fauna.

In the two-year period of reference 2011 – 2012, there were no accidental leakages into the soil or subsoil of hazardous substances or pollutants. Moreover, the company has not been subject to economic or administrative fines for any failures to observe environmental regulations.

11.7 A new challenge

The main objective for 2013 regards the planning, implementation and subsequent management of an integrated quality, environment and safety system.

To this end, the Rancilio Group will have to achieve certification of conformity to the OHSAS 18001:1999 international standard, to supplement its ISO certifications. This will allow the company to ensure a methodical, pre-established approach to emergencies related to accidents at the workplace.

For years we have been rigorously pursuing a green approach to every manufacturing process.

This is achieved using management tools that encourage the consolidation of an environmental culture within the organisation, through the involvement of all its members.

Comparison table GRI 3.1

SIZE E KPI GRI 3.1	REFERENCE GRI 3.1	CHAPTER PARAGRAPH	COVER COMMENTS
STANDARD INFORMATION NOTE			
Strategy and analysis	1.1,1.2		
Organisation profile	From 2.1 to 2.10	2, 3, 4, 5, 8, 11	
Report profile	From 3.1 to 3.13	1, 3, 4.6	
Governance, commitments and involvement of stakeholders	From 4.1 to 4.17	3	The tools used to ensure ongoing dialogue with stakeholders are described in the various chapters dedicated to them
ECONOMIC		3, 4, 10, 11	
Economic performance	EC1		
Public administration Loans	EC4	5.2	In 2012, the Rancilio Group did not receive any loans from the public administration
Local supplier expense policies	EC6		
Procedure for recruiting local senior managers	EC7	7.2	
Services/products provided for public use	EC8	8.1	Partial
Indirect economic impact	EC9	10	
ENVIRONMENTAL		5.2, 7	
Raw materials	EN1		
Energy	EN3, EN4, EN5, EN6	7.3	EN5 Partial
Water	EN8, EN9, EN10,	11.2, 11.5	
Biodiversity	EN11, EN12, EN25	11.6	
Emissions and waste	EN16, EN19, EN21, EN22, EN23, EN24	11.7	
Products and services	EN27	11.5, 11.6, 11.7	Partial
Compliance	EN28	11.4	
WORKMANSHIP		11.7	
Use	LA1, LA2		LA2 Partial
Industrial relations	LA4	8.1	All the employees at the group's Headquarters (61.74% of the total workforce) are white-collar staff employed in line with the appropriate national collective labour agreement
Health and safety	LA7		
Training	LA10	8.2	
HUMAN RIGHTS		8.3	
Non-discrimination	HR4		No cases of discrimination were reported in 2012
Freedom of association and collective bargaining	HR5	8.1	HR5-6-7 Partial
Child labour	HR6	8.1	The Rancilio Group operates in countries where the risk of possible violation of human rights is not high". The Rancilio Group refuses to use child labour or forced labour, and promotes its employees' right to freedom of information and collective bargaining.
Forced and compulsory labour	HR7	8.1	
Security staff	HR8	8.1	
COMPANY			
Community	S01		
Donations to political parties	S05, S06	10, 3	The Rancilio Group does not fund any political parties.
PRODUCT CONFORMITY		3	
Consumer health and safety	PR1		
Information on products	PR3	11.3	All the products sold by the group are provided with a detailed instruction manual, available in various languages.
Customer satisfaction	PR5		
Voluntarily adopted marketing and advertising codes	PR6	6.4	
Cases of non-compliance in the fields of marketing, advertising, promotion and sponsorship	PR7	6.5	The Rancilio Group does not adopt any voluntary standards or codes in the fields of marketing and advertising.

*Consideration made on the basis of the list of so-called “Countries of concern” for the violation of human rights, drawn up by EIRIS (a leading global provider of independent research on ESG issues (Environment, Society and Governance) and on the ethical performance of organisations).

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