

ANNUAL REPORT

2013





**“AFTER CLIMBING A GREAT HILL,
ONE ONLY FINDS THAT THERE ARE
MANY MORE HILLS TO CLIMB”**

Nelson Mandela

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MESSAGE FROM THE PRESIDENT

It has been another challenging year. Some of the challenges that we have faced have been satisfactorily negotiated, some others will require more work on our part and some are plainly beyond our control. In short the year could be described as an improvement on the path to developing our company's full potential.

In Europe, our main market, growth has continued to prove elusive, but the rest of the world has, to a large extent, not fared much better. In particular most Emerging Markets experienced both a slowdown in their pace of development and an investor flight from their currencies, which have suffered greatly as a consequence. To add insult to injury, during the

second part of the year, the Euro continued to gain strength against the U.S. Dollar, inflicting exchange difference losses onto our financial statements, as a result of the conversion of foreign subsidiaries' accounts into Euros for consolidation purposes.

On the bright side the company has managed to achieve growth, albeit mainly through two strategic acquisitions, reaching Euros 335 millions of sales, an all time high as a pure hydraulic company. We have also improved our operating performance versus the previous year achieving EBITDA of Euros 51.4 millions, (15.3% of sales) which set against our NFP of minus Euros 107.2 millions, proves that we have kept our finances in order, despite slow markets and significant cash out for both acquisitions and capex.

Taking a closer look at our operations, we should start by describing the above-mentioned recent acquisitions, which have both been focused on the natural resources sector:

- UK based Mercia International Products (MIP) is a global leader in the design and manufacturer of high pressure connectors for underground soft-rock mining equipment. MIP is now fully integrated inside Manuli Hydraulics.
- Africa focused Hyspec Mining Services (HMS) is the continent's leader in providing fluid connectors maintenance services to both mining houses and their contractors.

At the time of the acquisition (late 2012) it operated in eight African countries, but the network will continue to grow. It is worth reminding that this company's contribution was not reflected in the 2012 P&L figures. HMS is now fully integrated inside Fluiconnecto by Manuli.

With regards to Manuli Hydraulics' manufacturing plants, we have launched an ambitious plan to upgrade and strengthen the quality systems. To this end we have chosen to implement API (American Petroleum Institute) Q1 (ISO TS 29001), alongside the established ISO 9001:2008.

During the course of 2013 three manufacturing facilities were certified according to API Q1 (ISO TS 29001):

- Manuli Hydraulics (Suzhou), the main manufacturing facility for hydraulic hoses
- Manuli Hydraulics Polska, the main manufacturing facility for hydraulic connectors as well as refrigeration connectors
- Manuli Hydraulics – Oil & Marine Division, the only manufacturing facility for floating and subsea oil & gas low pressure hoses.

In time API Q1 will be extended to other manufacturing plants, as well as assembling facilities, operated by both Manuli Hydraulics and Fluiconnecto by Manuli.

New product developments have also focused heavily on API norms, obtaining the licenses for API 7K monogram (hose assemblies), API 16D type approval (fire resistant hose) and API 5L monogram (connectors threads), attesting to the high standard of the new and complete Drilling hoses program. However, product development was not restricted to the Oil & Gas sector; for global construction OEM customers we continued to enlarge our GoldenIso range, while for the North American wholesale market we restyled and enlarged our "one-piece" connectors range, which is now complemented by a brand new vertical crimper.

Since the beginning of what has been defined as the Great Recession, our company has undergone a positive transformation that cannot be fully appreciated by the headline numbers alone. While almost every variable has worked against us or at least not helped, we have managed to grow above pre-crisis levels, to enter into new market segments and to establish a presence into new territories, evolving from a strictly European company into one that now derives 50% of its sales from non-European markets.

We do not expect a positive evolution of the market drivers anytime soon; the OEM markets will continue to be depressed by the low level of capex from both construction and mining companies, while overall GDP growth will remain modest in both Europe and Emerging Markets. More worryingly, the weakening of most currencies against the Euro currently represents the biggest threat to our growth and profitability.

To counter these forces there are no miracle solutions. Therefore we will continue to strengthen our product range, to improve the performance of our manufacturing plants and to pursue diversification of our market presence.

Our management team is fully prepared for the task having proven time and again that it can overcome these challenges.

*Dardanio Manuli
Chairman and Chief
Executive Officer*



CORPORATE & MISSION & VALUES

CORPORATE MISSION

Manuli Rubber Industries (MRI), established in 1935, is a multinational corporation with two distinct global organizations:

- MANULI HYDRAULICS, focused on achieving excellence in the design, manufacture and sale of machines and fluid conveying rubber/metal components for high pressure hydraulics and oil & marine applications.
- FLUICONNECTO BY MANULI, is a leading international service organization, focused on high pressure fluid connectors, providing products and application knowledge, as well as maintenance services, to all market segments through a global network tailored to local conditions.

Manuli Rubber Industries is committed to deliver sustainable value to its stakeholders, through excellence in innovation, quality and service.



CORPORATE VALUES

Manuli Rubber Industries' basic values are expressed in five guiding principles:

CUSTOMER CENTRALITY

ATTITUDE & BEHAVIOR

SUSTAINABLE VALUE

ENVIRONMENTALLY
COMPATIBLE

HUMAN RESOURCES CENTRALITY

INVESTMENT

TOTAL QUALITY

DRIVING FORCE

CORPORATE VALUES

BUSINESS ETHICS

OPEN & TRANSPARENT
INFORMATION

CUSTOMER CENTRALITY

The Customer is at the center of all our improvement targets. Consequently, the attitude and behavior of each and every member of our staff must lead to its attainment.

TOTAL QUALITY

The total quality of the Company's processes is an essential virtue steadily pursued. This value is the driving force for the whole company's relationships with the external context and the market.

SUSTAINABLE VALUE

The Group pursues sustainable development through the creation of wealth, which must be environmentally compatible.

BUSINESS ETHICS

Actions and behaviors are inspired by ethics and morally-based criteria, adopting a policy based on open and 'transparent' information and communication channels.

HUMAN RESOURCES CENTRALITY

Knowledge, skills, competences of personnel at the different levels of hierarchy and responsibility, represent the fundamental strategic lever for the achievement of business development and profit objectives. Therefore, investing on human resources is a strategic business priority.

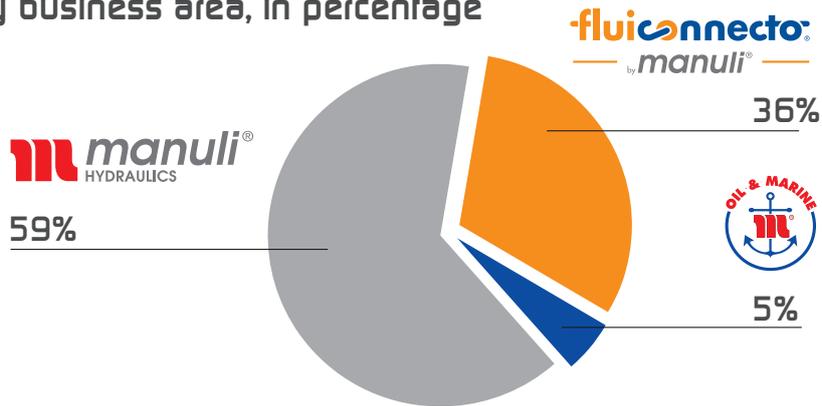
2013 FINANCIAL HIGHLIGHTS

CONSOLIDATED GROUP FIGURES

Millions of Euros	2009	2010	2011	2012	2013
NET SALES	203.9	269.4	320.1	314.7	335.0
Growth rate %	-36%	32%	19%	-2%	6%
EBITDA	17.5	48.4	53.9	45.0	51.4
% on net sales	9%	18%	17%	14%	15%
EBIT	(13.3)	29.7	30.9	21.9	30.2
% on net sales (ROS)	-7%	11%	10%	7%	9%
Group Net Result	(18.4)	20.2	18.8	8.7	11.3
% on net sales	-9%	7%	6%	3%	3%
Cash flow (self financing)	10.9	39.7	43.2	31.7	28.4
Net capital employed	186.1	200.5	214.3	237.3	246.2
Net financial position	(101.7)	(90.9)	(94.6)	(112.8)	(107.2)
Group Shareholders' equity	83.8	108.6	118.9	123.7	125.1
Average workforce (employees + temporary workers)	2,155	2,324	2,588	2,651	3,069
Capital expenditure	6.6	11.9	18.1	12.8	13.2

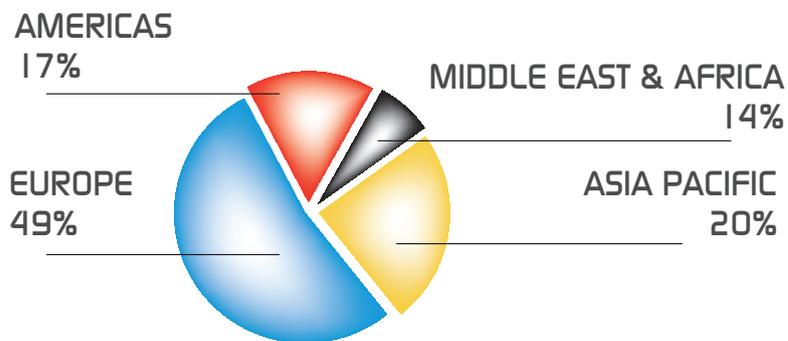
2013 NET SALES

By business area, in percentage



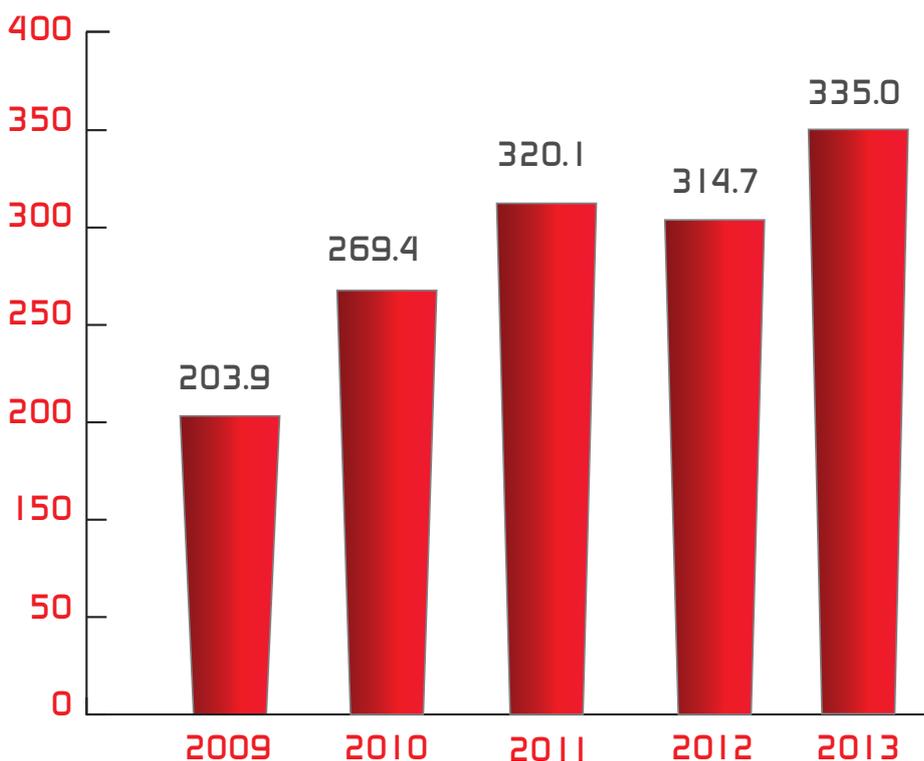
2013 NET SALES

By geographical area, in percentage



NET SALES TREND

Millions of Euros



BOARD OF DIRECTORS & STATUTORY AUDITORS

BOARD OF DIRECTORS

In office for the three-year period

2014-2016

Dardanio Manuli	Chairman & CEO
Mario Manuli	Managing Director
Matteo Marchisio	Managing Director
Luca Coccioli	Director
Maurizio Cossalter	Director
Alessandra Manuli	Director
Antonella Manuli	Director
Sandro Manuli	Director
John Munro	Director
Giuseppe Pirola	Director
Salvatore Vicari	Director

BOARD OF STATUTORY AUDITORS

In office for the three-year period

2014-2016

Carlo Ticozzi Valerio	Chairman
Giovanni Borgini	Auditor
Nicolino Cavalluzzo	Auditor
Giorgio Ferrante	Auditor
Tiziana Stracquadanio	Auditor

INDEPENDENT AUDITORS

In office for the three-year period

2012-2014

Deloitte & Touche S.p.A. Via Tortona,
25 - 20144 Milano, Italy

CORPORATE GOVERNANCE

In accordance with its mission and with the aim of assuring the utmost transparency of the actions of company management, Manuli Rubber Industries has defined an articulated system of rules of conduct concerning both its organizational structure and relations with stakeholders, such rules being in compliance with the highest standards of corporate governance. More specifically, the Company adopts the traditional system of administration and control, with its corporate bodies being the Shareholders' meeting, the Board of Directors and the Board of Statutory Auditors.

Manuli Rubber Industries' Corporate Governance system is based on the following: (i) the central function of the Board of Directors, responsible for the strategic guidance and supervision of the Company's overall business activities; (ii) an effective internal control system, starting from the functions allocated to the Board of Statutory Auditors and to a specific Internal Audit Committee; (iii) a remuneration system, in general, and an incentive system, in particular, associated with medium and long-term economic targets in order to align the management's interests with the shareholders' interests, as established by a dedicated Remuneration Committee.

The governance system is formally defined in the Company Bylaws, in the Code of Ethical Conduct, in a new Anti-Corruption Code and in a series of principles and procedures which are updated periodically to assure best practices. The system states roles, duties and competencies of each organizational structure of the Group, as well as compensation systems, procedures and policies for the internal auditing and all employees, designed to reduce inefficiencies and to monitor the conduct of the management and the Group.

The Code of Ethical Conduct's and the Anti-Corruption Code's main objective is to instill correctness, equity, integrity, loyalty and professional rigor into operations, conduct and relationships inside and outside the Group while focusing on legal compliance and regulations within the countries where the Group is active. This ethical approach is a prerequisite for consolidating the Group's credibility, transforming the knowledge and the application of the Group's codes into a competitive edge.

Updated documents are available through the pages of www.manulirubber.com web site.

CORPORATE CITIZENSHIP



Manuli Rubber Industries has always expressed an interest in the social-service sector and has been active mainly through the support of selected non-profit organizations committed to valuable initiatives in the cultural and human health fields.



The Manuli Foundation - Onlus, a non-profit organization, established in 1992 based on the desire of the Manuli Rubber Industries Founder, Engineer Dardanio Manuli, to give support to families with a member affected by Alzheimer's disease. In order to adequately respond to the local geographic area's needs in this vitally important field, the Manuli Foundation has since 1994 made available more than 250,000 hours of free assistance at home, through the use of professional volunteers and workers with geriatric specialization.

<http://www.fondazione-manuli.org>



During the course of 2013, Manuli Rubber Industries continued to contribute to the not-for-profit trust FAI - Fondo per l'Ambiente Italiano (Italian National Trust), set up in 1975 and has since gone on to save, restore and open to the public numerous fine examples of Italy's artistic and natural heritage.

FAI is aimed at promoting a tangible culture of respect for Italy's natural heritage, art, history and traditions. On the other, it is focused to protect a legacy that forms a fundamental part of the roots and identity of the Italian people.

<http://www.fondoambiente.it>



In the most-specialized field of research, Manuli Rubber Industries has continued to support the IEO - European Institute of Oncology - established

in 1987 with the aim of creating a "comprehensive cancer centre" with research laboratories and clinical services. The first activities commenced in 1991 and in 1994 the current site was officially opened and clinical work started. It has been a private non-profit IRCCS since 1996. IEO has three core activity areas:

- Clinical work Research
- Training
- Education

IEO is one of Italy's 47 research hospitals and treatment centres (IRCCS) dealing with specific disease sectors, and is part of Italy's National Healthcare Service.

<http://www.ieo.it>



With the recent acquisition of Hyspec Mining Services we are honoured to report their 12 years of commitment in West Ghana to Adullam Orphanage.

Packages of clothes and toys, donated by many families from a school in Perth (Australia) are collected and shipped to Ghana

for the direct delivery, done by Hyspec Ghana employees.

Adullam Orphanage is a residential children's home based in Obuasi in the Ashanti Region of Ghana, West Africa. It was founded in 1996 by Australian born Pastor Louise and Drew Timothy. Adullam is registered as a non-governmental organization.

Adullam is the only orphanage in Obuasi, and is only one of four registered orphanages in the country of Ghana, the other three being run by the government.

There are 165 children presently living at the Adullam Orphanage.

<http://www.adullamorphanage.org>

QUALITY ENVIRONMENT HEALTH & SAFETY

QUALITY

In line with a long established tradition, continuous improvement of Product Quality has been one of Manuli Hydraulics' priorities during 2013. The consolidation of all industrial operations, necessarily reorganized in recent years, was an important prerequisite to achieve appropriate results in this field.

The overall hose process consistency, already set to low ppm levels, was further improved in all plants with the following actions:

- 1- increased robustness of technology and equipment for lower defects occurrence.
- 2- additional quality checks for higher defects detectability and immediate feed-back process control.

The end-of-line quality statistics are consistently showing a positive trend towards automotive type ppm levels.

The Quality labs in both China and Poland have also been strengthened with enhanced testing capacity: three additional impulse machines were installed, as well as a new powerful burst rig for large bore high pressure hoses.

The process of upgrading the quality management systems in the Group, previously upgraded to API Q1 for the new API 7K product range (Goldendrill, Goldencement), progressed with the approval of the Connectors plants according to API 5L: the company is now

an approved API threader with Licence number 0963 and is allowed to supply monogrammed API threaded termination ends. The Quality level of Manuli Hydraulics' products is constantly upgraded and renewed in connection with the relevant type approvals program. During 2013 the Group was audited by independent inspection bodies for the following approvals:

- Renewal of expiring certificates (ABS, BV, DNV, LR, GL, RINA, KRS, Polish B-Mark)
- Range extension of existing approvals, ie.: FRAS for Eternity/2, Goldeniso/21-28 and Xtraflow/4WS hoses
- Strategic type approvals for new applications, such as flame resistance according to API 16D for BOP hoses (Goldenguard, Goldenarmor)
- New approvals for business expansion, such as CCS (China Classification Society) and QS mark by AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China)

The communication with customers, managed by the appreciated web-based Help Desk Quality platform, has been further improved by adding new functionalities to the system. Any logged on customer can now track on-line the status of all open files in an efficient and transparent way.

ENVIRONMENT, HEALTH AND SAFETY



Manuli Hydraulics monitors continuously the increasing requirements of any applicable legislation, to meet all legal standards in the field and to offer the appropriate assurance to his customers.

According to the REACH European Directive, every six months the SVHC (Substances of Very High Concern) list is updated and all European manufacturers have to manage/remove the presence of these materials from their products. Thanks to its proactive activity in materials management, Manuli Hydraulics is fully compliant with the last release of the list, dated December 2013, and can provide the appropriate certification upon request for any product.

Due to materials and technology standardization in the Group, the certification applies to any product in the range, even when manufactured outside the European Community.

In the highly demanding OEM sector, the suppliers are often requested to provide the material composition of their products for identification and recyclability purposes. Manuli Hydraulics completed in 2013 an organizational project aimed to provide in IMDS (International Materials Data System) the substances list of its products for both hose and fittings.

The Manuli MDS (Materials Data Sheet) can be released for any product and uploaded upon request in the secure internet system hosted by EDS in Germany; then authorized assemblers can have access to the document and satisfy the equivalent requests of their clients.

In recent years, there has been an increasing international focus on “conflict minerals” emanating from mining operations in the Democratic Republic of the Congo and adjoining countries. Governmental, industry and social issue-focused groups worldwide (such as the US Government Accountability Office, OECD, EICC and GeSI) have been working to raise awareness and bring about change. On 21 July 2010, in response to these concerns, the United States Congress enacted legislation that requires public companies to provide disclosures about the use of specified conflict minerals; the law is aimed at dissuading companies from continuing to engage in trade that supports regional conflicts. Dodd–Frank Section 1502 defines “conflict minerals” as cassiterite, columbite-tantalite, gold and wolframite, as well as their derivatives (tin, tungsten, tantalum, gold) and other minerals that the US Secretary of State may designate in the future.

In 2013 Manuli Hydraulics supplied written evidence of compliance to this law and could state that no such substances are used in its products outside the admitted limits.

In May 2009, the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (Ship Recycling Convention) was formally adopted at a Diplomatic Conference in Hong Kong. In order to allow for the effective implementation of the Convention, the IMO (International Maritime Organization) has been focusing its effort in developing a set of guidelines covering aspects such as the development of





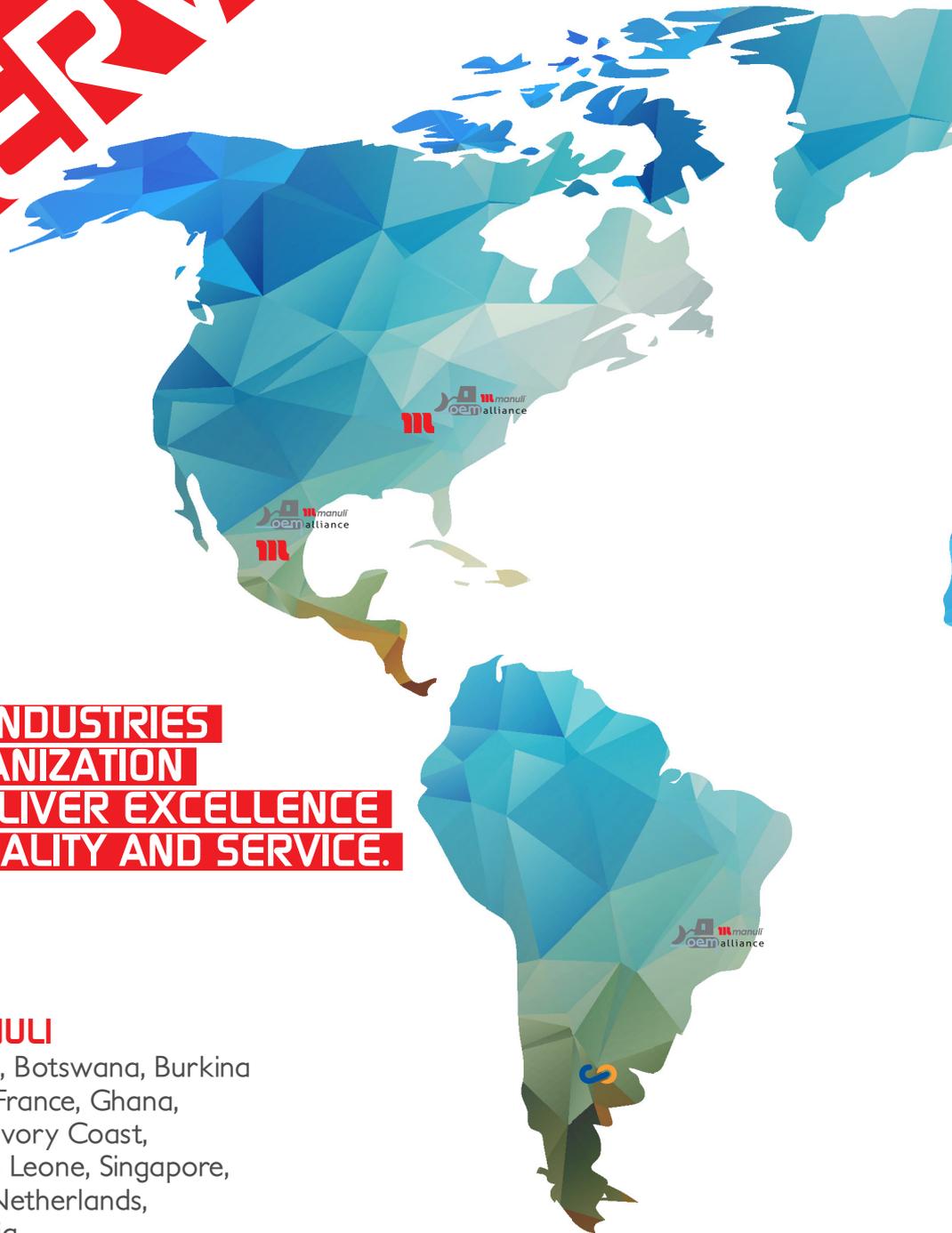
the inventory of hazardous materials, development of ship recycling plan, authorization of ship recycling facilities, and safe and environmentally sound ship recycling.

Central to the implementation scheme of the Convention is the development and maintenance of a document referred to as the Inventory of Hazardous Materials (IHM), which was previously known as the “Green Passport” (GP) in IMO Resolution A.962(23). The 2011 ABS Green Passport guide provides for the review, approval and issuance of the initial Inventory (Green Passport) for new construction vessels, existing ships and for the maintenance, verification and endorsement of the issued Green Passport for a ship in service.

Thanks to the materials used in hose and fittings, Manuli Hydraulics can allow any assembler using its products to release a compliant Green Passport for any assembly supplied to the maritime industry.

Health and Safety procedures remain at top levels in the whole Group. All current approvals are constantly maintained and updated to the more recent specifications.

MRI GROUP OVERVIEW



**MANULI RUBBER INDUSTRIES
IS A GLOBAL ORGANIZATION
COMMITTED TO DELIVER EXCELLENCE
IN INNOVATION, QUALITY AND SERVICE.**



FLUICONNECTO BY MANULI

Argentina, Australia, Belgium, Botswana, Burkina Faso, China, Czech Republic, France, Ghana, Guinea, Hungary, Indonesia, Ivory Coast, Lithuania, Mali, Poland, Sierra Leone, Singapore, South Africa, Tanzania, The Netherlands, United Arab Emirates, Zambia



MANULI HYDRAULICS

Brazil 

Mexico 

USA 

China, Czech Republic, France, Germany, India, Italy, Mexico, Poland, Russia, Singapore, South Korea, Spain, UK, USA.



RESEARCH & INNOVATION

China, France, India, Italy, Poland



MRI GROUP ORGANIZATION



FLUICONNECTO

MARKETS

- Agriculture
- Cleaning blasting
- Construction & public works
- Energy
- Forestry
- Industrial application
- Material handling & logistics
- Mining open pit & underground
- Oil & Gas
- Refrigeration
- Transport

KEY STRENGTHS

- Certified products
- Hose management
- HSEQ compliance
- Immediate product availability
- Large product offering
- Market tailored solution providing
- Problem solving
- Service providing

PRODUCTS & SERVICES

- Accessories
- Adaptors
- Assembling machines
- Bite-ring fittings
- BOP hoses
- Grease injection
- High pressure hydraulic hoses & assemblies
- High pressure water hoses & assemblies
- Hose fittings
- Industrial hoses and Hydraulic valves
- Lubrication & Fuelling
- Motion compensation hoses
- Pipes & clamps
- Pressure gauges
- Protection & safety accessories
- Quick release couplings
- Refrigeration connectors
- Refrigeration hoses & assemblies
- Rotary/Vibrator hoses
- Sealing products
- Staple lock fittings
- Transfer hoses

- Hose cleaning and inspection
- Hose identification/tagging
- Kitting
- Maintenance services
- Off-site maintenance
- On-site maintenance
- Preventive maintenance
- Testing & Flushing
- Tube bending
- Vendor managed inventory

INTERNATIONAL NETWORK

- 23 countries
- 24/7 services availability operated by a fleet of more than 40 Service vans
- Presence at our customers doorstep through more than 80 Workshops-On-Site
- Over 130 Service Points in Europe, Africa & the Middle East, Asia – Pacific, Australia and South America



HYDRAULICS, DRILLING & REFRIGERATION

APPLICATIONS

- Hydraulics system for industrial machinery
- Hydraulics system for off-highway vehicles
- Hydraulics system for underground mining equipment
- Hydraulics system for drilling industry
- Rotary systems for drilling platforms
- Mobile refrigeration systems and air conditioning systems for off-highway vehicles

PRODUCTS

- Wire braid and spiral reinforced rubber hoses
- Textile braid reinforces rubber hoses
- Rotary hoses for drilling
- Hose fittings
- Quick coupling
- Staple-lock adaptors and fittings
- Other fluid connectors
- Assembling machines
- Hose assemblies for high and very high pressure
- Hose assemblies for water cleaning & water blasting applications

MANUFACTURING FACILITIES

- Hoses: China, Italy & Poland
- Connectors: Poland
- Assembling machines: France, Poland
- Assembling units: China, Czech Republic, France, India, South Korea, United Kingdom
- OEM Alliance Partner facilities: Americas

GLOBAL SALES NETWORK

The Wholesale market is served by a dedicated sales & support network throughout 4 continents.

OIL & MARINE



PRODUCTS

- Single Carcass Floating and Submarine hoses
- Double Carcass Floating and Submarine hoses
- Single Carcass Helix Free Floating and Submarine hoses
- Double Carcass Helix Free Floating and Submarine hoses
- Long-length (up to 300m) elastomeric conduit
- Dock hoses
- LPG (Liquefied Petroleum Gas) hoses
- Design and project management of marine systems for conveying fluids

APPLICATIONS

- Monobuoys
- FPSO & FSO
- Offshore Oilrigs
- Pipelines Terminals
- Ship To Shore
- Ship to Ship

FACILITIES

- 1 manufacturing facility in Italy serving the whole international market
- 1 commercial office located in Vimodrone (Milan), Italy

RESEARCH & INNOVATION



During 2013 Manuli Hydraulics continued to expand its state of the art product range, with a specific focus on technically challenging applications. This resulted in the release of products such as: Goldenso, XXL hoses, Diamondspir/35, Rockmaster, Goldenguard, and many more.



Due to recent inroads of off-highway equipment into more northerly climates, where winter temperatures dramatically exceed the traditional hydraulic standard (-40°C), Manuli Hydraulics developed improved tube and cover compounds to increase the cold cracking resistance and the low temperature flexibility of traditional hose lines, preventing the need to use special, more expensive and lower performing products. Now the top spiral hose lines, such as Goldenso Xtraflex, Goldendrill and Diamondspir/21-35, have a new and improved temperature rating:

- Tube: released at -46 °C (-50 °F)
- Cover: released at -57 °C (-70 °F)

With this innovative solution, Manuli Hydraulics is setting new temperature standards for hydraulic hoses in the whole hydraulic sector.

New fittings and crimping solutions were also added to the range, in order to improve both performance and customer experience; we highlight in particular:

- The new minifit insert for pilot hoses, shorter and lighter than its MULTIFIT equivalent; it is coupled with the new M02400 ferrule
- The new M03300 ferrule, smaller than the M03400, to better couple compact 1 and 2 wire braided hose in small sizes
- The new BSP termination end with double thrust wire nut connection for the Goldenblast/750 hose line

The Manuli Hydraulics fittings range now covers a wider range from 3/16" to 4" and includes all possible crimping option in the field: No-skive (one and two pieces), Skive and Interlock in order to meet any possible requirements of OEM assembly and after-market service.

The North American one-piece fitting range was totally restyled with the new OPF (one piece flat crimping line for wire braided hose) and OPK (one piece compact line for light duty spiral hose); the program was complementary to the launch of the new vertical crimper MVB 140, a cost effective solution for integrated crimping in hose management services.





The traditional cutting machines were re-designed for superior performance and health & safety features: they are now equipped with an innovative electrostatic smoke absorption device (patented), able to highly reduce the smoke released in the environment of the workshop.

The new hose programs (GoldenIso, XXL) have been supported by a flange range extension to very large sizes, in particular the robust Xtraflange program and the customized solutions for leading OEMs.

For the Oil & Gas industry we have innovated in the true sense of the word, developing a new generation of hose lines.

The Goldendrill line was extended to 3 ½" grade E (7500 psi) and 4" grade D (5000 psi); the API monogram has been obtained for the whole 5000 line up to 4", complementing the

previous one on 7500 line up to 3".

The matching revolutionary MS2000 crimping machine was upgraded to 2000 Tons in order to improve power and speed of the crimping operation. A new BOP steel armoured hose line (Goldenarmour) was added to the program and formally approved to the flame test according to API 16D.



The drilling program has been completed with the special quick couplings line MQS BOP, which was tested and approved with the relevant hose assembly (Goldenguard and Goldenarmur) at the same 16D flame test.

In the quick coupling field, Manuli Hydraulics is also pleased to announce the release a state-of-the-art Flat Face program composed by 4 product families:

- MQS-F** ---> standard cost effective range (25 Mpa)
- MQS-FH** ---> high pressure premium range (35 Mpa)
- MQS-FP** ---> male connectable under pressure (35 Mpa)
- MQS-FS** ---> screw type male & female, connectable under pressure, (35 Mpa)

This offer now positions the company among the most advanced manufacturers of these products and provides customers with a wide range of technological solutions.



The extended working temperature (-30°C up to +110°C), the robust design for high resistance to pressure impulses, the high flow rate and rapid back flow, the easy manual connection with male under pressure (no tools are needed thanks to the triple valve decompression system), the unique safety factor 4:1, allow this range to be at the forefront of solutions for the most demanding technical requirements.

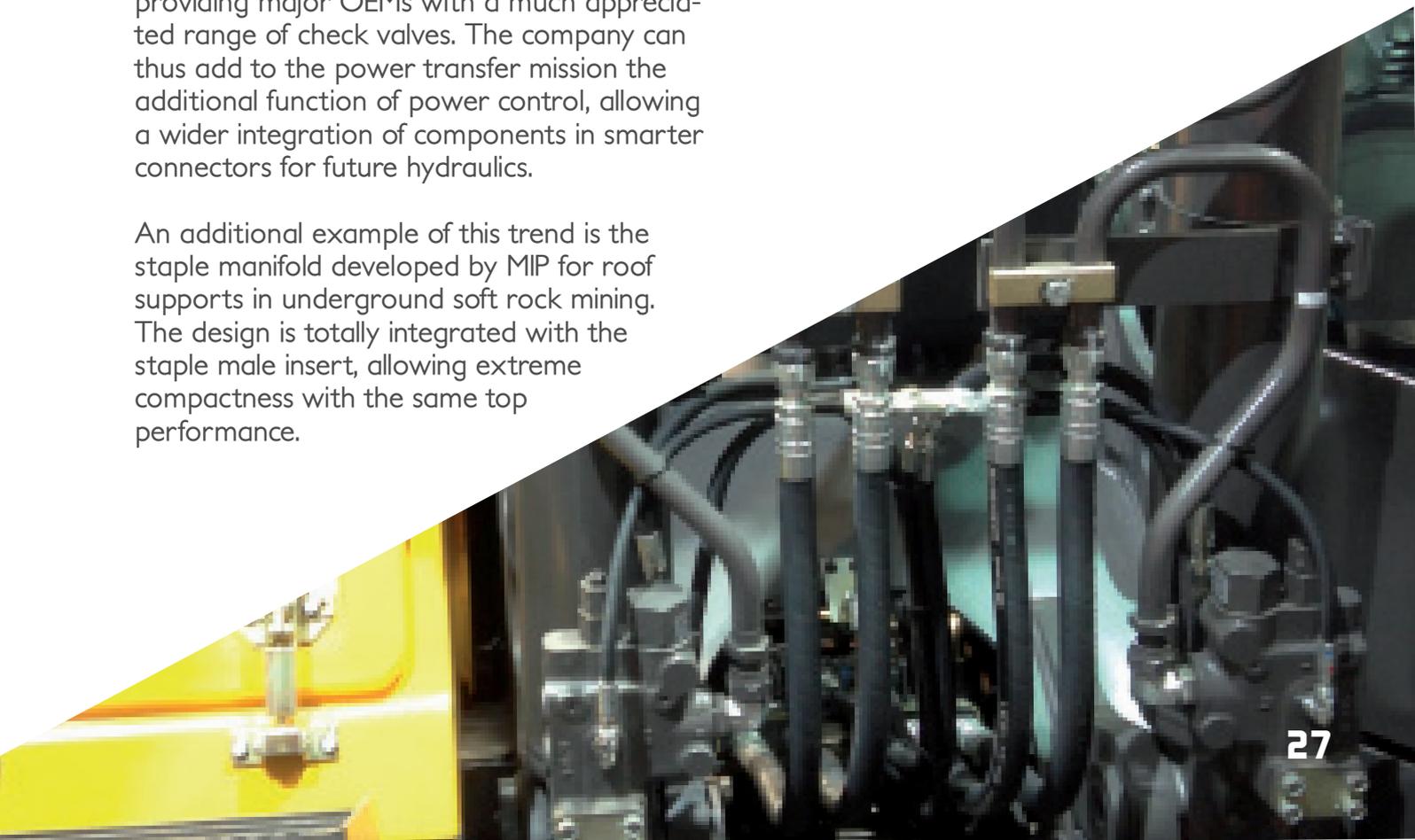
With the experience of the well-proven quick coupling technology, Manuli Hydraulics is now providing major OEMs with a much appreciated range of check valves. The company can thus add to the power transfer mission the additional function of power control, allowing a wider integration of components in smarter connectors for future hydraulics.

An additional example of this trend is the staple manifold developed by MIP for roof supports in underground soft rock mining. The design is totally integrated with the staple male insert, allowing extreme compactness with the same top performance.

The innovative Rotofit insert, a compact and cost effective high pressure swivel totally integrated in the hose insert, is now widely proven and appreciated in many field applications, where it proves beneficial in preventing hose twist, thereby increasing quality, reliability and safety of severely routed hose assemblies. It is applied by leading OEMs in articulated trucks, haulers (brake cooling lines and steering systems), snow blades, grass cutting machines, etc.; manufacturers and users have appreciated a relevant increase of service life.

The innovative feature of the product was acknowledged in 2013 by the filing of both a European and a PTC patent.

Corrosion resistance requirements are constantly increasing for mining applications. Manuli Hydraulics can now offer the innovative Supa-Black plating, able to achieve 2000 hours of red corrosion resistance. While for Oil & Gas and Offshore applications, a selected range of integrated connectors (fittings, staple adaptors, quick couplings) are now also offered in Stainless Steel.



FLUICONNECTO



MISSION

Fluiconnecto by Manuli is a leading international service organization, focused on high pressure fluid connectors, providing products and application knowledge, as well as maintenance services, to all market segments through a global network tailored to local conditions. Fluiconnecto's services are made available at the customer's doorstep in 23 countries, through an ever-growing network of Service Points, on-site Workshops and Service on-site Vans.

OVERVIEW

In the year just ended the market has been characterized by decreasing commodities prices and, at best, a very limited recovery in Europe, which still accounts for 60% of Fluiconnecto's activity. Currency devaluation versus the Euro also negatively affected the top line. Nevertheless, despite such unfavorable market conditions, "like for like" sales did not lose ground versus 2012 and, thanks to the acquisition of Hyspec Mining Services, Fluiconnecto closed the year with sales up by 23%.

In Europe itself, Central European markets positively contributed by growing 20% YOY. This result has been achieved through a growing network of service points and mobile vans offering technical assistance on-site and added value services, such as hose kitting and testing and flushing services, to an ever growing customer base.

A positive performance in the UAE has also been achieved with sales growing by more than 30%, establishing a solid ground for our future expansion into other GCC countries. The excellence of our technicians together with our capillary presence and ability in managing our on-site network of workshops has helped us in securing several new mining contracts for next year and beyond. To be highlighted in South Africa was the achievement of the BBBEE 25+1 ownership mining requirements. This accreditation enables Fluiconnecto to comply with the South African Government mining charter with regards to Black ownership. Asia Pacific marked a growth of more than 17%. After achieving great success with its mobile on-site fleet of service vans in Singapore, Fluiconnecto has been the first hydraulic service company to introduce mobile on-site services to customers in nearby Batam, Indonesia.

During the year Fluiconnecto has made a further commitment to its long term investment strategy in Asia, with the enlargement of its premises into a fully owned 40,000 sq/ft location in the heart of the Oil & Gas industrial area of Jurong in Singapore. From its new address Fluiconnecto operates to serve the local market providing the ability to manufacture and deliver large bore hydraulic, industrial and rotary drilling hose assemblies to customers in the region, with a large range of products to support mobile services and a dedicated Oil & Gas services team.

Fluiconnecto is committed to expand its presence beyond actual geographical frontiers to support and sustain its own customers wherever their business will take them. With an ever growing network of certified technicians, and a continually broadening range of products, Fluiconnecto is the natural answer to hydraulic maintenance services both in mature markets as well as in remote and severe environments such as mine sites and offshore drilling platforms. Moreover the benefits of full integration with the manufacturer puts Fluiconnecto and its customers in direct contact with Manuli Hydraulics' highly skilled technicians and engineers, who operate from five global Innovation Centres focused on the continuous development of new technologies and integrated solutions.



MANULI HYDRAULICS

MISSION

Manuli Hydraulics is active in the design, manufacture and sale of a wide range of hoses, connectors and machines for conveying power in high/very high pressure hydraulic circuits and fluids in refrigeration units.

The solutions offered by Manuli Hydraulics are:

- Hydraulic hose & connectors for off highway, agricultural & material handling equipment vehicles
- Hydraulic hose & connectors for industrial machinery
- Hydraulic hose & connectors for underground mining equipment
- Hose & connectors for offshore drilling applications
- Air conditioning hose & connectors for off-highway vehicles and mobile refrigeration

2013 FACTS & FIGURES

During 2013 the net sales of Manuli Hydraulics Division (including sales to Fluiconnecto) totalled 226.2m Euros, -0.3% lower than the previous year (226.8m Euros). The contraction in OEM activity experienced during the last quarter of 2012 continued into the first quarter of 2013 with significantly reduced activity in the Construction and Public Works sectors. Although sales to the OEM sector picked up in the second half of the year, showing an improved position on 2012, this was not enough to offset the impact of the first quarter. Activities during the year saw significant growth achieved in North America and Central & South America in sales to Wholesales customers and OEM Alliance partners. Wholesales sales also increased in Scandinavia, Italy, Africa, Spain & Portugal with the second half of 2013 showing growth on the previous year. However the strong overall sales performance in the last quarter was offset by currency fluctuations, in particular the devaluation of the US Dollar. Sales of assembling machines experienced strong growth across all markets during 2013 illustrating the importance and validity of the Manuli integrated





products principle in providing a guarantee of full compatibility, with hose and fittings products and a high quality finished hose assembly. Extensions to the Q.Safe range of quick couplings saw the range increase to a total of over 1200 products with the arrival of a range of Flat face products suitable for standard and high pressure applications which have been of interest to both the Wholesales and OEM markets, particularly in the areas of earth moving machinery, agricultural equipment and telescopic loaders and handlers. The Rotofit insert has also proved to be an attractive addition to the Manuli product range with its ability to 'swivel under pressure' to eliminate hose twist and torque in demanding applications where space constraints could impact on hose routing and performance.



February 2013 saw the acquisition of Mercia International Products Ltd (MIP) Halesowen, West Midlands UK; a specialist manufacturer of adapters, hose assemblies and connectors for the underground mining industry. This new development was based on a long standing trading, technical and shareholding relationship that in recent years had engendered significant sales growth and market penetration in the underground mining segment. The already well-established underground mining product portfolios of both companies are now combined to offer mining OEM's, contractors & end users a market leading product range, secure and controlled global supply channels and direct access to Manuli's highly skilled technicians and engineers, who

operate from five global Innovation Centres focused on the continuous development of new technologies and integrated product solutions.



The Drilling Division achieved American Petroleum Industry (API) approvals for an extended range of products developed to match the needs of the Offshore and Onshore drilling markets, including the Goldendrill product line up to 4" Grade D (5000 psi) and 3" Grade E (7500 psi). The new range of steel armoured Blow Out Preventer (BOP) hose and a range of Fire Rated products using the Manuli BRICKOAT technology passed the API 16D Flame Test to increase the range offered to this market and further emphasise the Manuli presence in Oil and Gas markets globally.

The Group continued to support investment in other areas with Manuli Hydraulics Singapore (wholesale division) relocating to larger premises in 2013 to support the drive for increased sales efforts in Singapore and South East Asia. Last but not least, a new Global Sales and Marketing headquarters for Manuli Hydraulics was established in Manchester, UK. This investment is designed to better meet the needs of the company's growing customer base both in the OEM sector and the Wholesale sector around the world, by providing a wider range of marketing and sales services as a platform for further growth.



MANULI HYDRAULICS & MARINE DIVISION



MISSION

Manuli Hydraulics Oil & Marine Division is active in the design, production and assistance for the installation of oil and long length hoses for offshore and onshore applications, for the transfer of oil, chemical and gas products.



2013 FACTS & FIGURES

In 2013, the net sales of the Manuli Hydraulics Oil & Marine Division reached € 17.9 millions, 24.6% higher than in 2012. During 2013 the Oil & Marine division consolidated the historical relationship with all the main customers, resulting in a large amount of spare hoses being sold. One of the significant contracts was related to the Saudi Arabian area. In addition to the spare parts markets, several OEMs entered into new 3 years agreement, demonstrating that the relationship benefits both parties.



FLOATING HOSES IN SERVICE

In the Oil & Marine field, Manuli Hydraulic completed the GMPHOM approval of the whole product range, in all sizes and all pressure ratings (15, 19, 21 bar) both single and double carcass. The new hose program, rebranded Poseidon, is now highly reinforced to meet the more demanding dynamic requirements of the new standards. The double carcass Poseidon hoses are designed with two independent carcasses with double structure. The first carcass is manufactured using steel cord reinforcement that has successfully served the industry for decades and the secondary carcass with new high load / high elongation textile reinforcements applied at the optimum angle to withstand over 150 bar burst pressure of the primary carcass.

After successful field tests, a new mechanical leak detector for Double Carcass Poseidon hoses has been released. The new Manuli mechanical Leak Detectors called FAD (Failure Alert Device) have been proven to be simple, reliable and maintenance free. Importantly, once activated it can be utilized more than once.

Additionally, a new kink resistant textile reinforced hose range has been designed and launched, under the brand Nautilus. In 2013 the small bore single carcass range was alrea-



dy GMPHOM approved; the rest of the range is planned in the next months.

Following the sector trend towards reeled lines on FPSOs, Manuli Hydraulics Oil & Marine Division designed and supplied a total of ten 400 mm (16") single carcass submarine hoses for reel application. The hoses, designed to withstand static and dynamic tensile loads during reeling operations and high crush loads, have also enlarged end to facilitate reeling and avoid contact between the flange rim and reel surface. These hoses are successfully working in the North Sea.

Manuli Hydraulics Oil & Marine has improved the characteristics of the polyurethane cover of the hoses, in terms of elongation at break, adhesion to the hose main rubber cover, breaking load and aging. The new polyurethane cover fully exceeds the most stringent oil industry requirements.

Thanks to the API Q1 (ISO/TS 29001) plant approval and its range of products meeting or exceeding the GMPHOM requirements, the Manuli Hydraulics Oil and Marine Division is nowadays at the technical forefront of the global Oil & Marine hose industry.

2013 FINANCIAL STATEMENTS

Figures are taken from the Manuli Rubber Industries Group consolidated financial statements for the year ended December 31, 2013.

Such financial statements have been audited by Deloitte & Touche, which issued its report with no exceptions. The financial statements and related reports are deposited with the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended

31 DECEMBER 2013

(Amounts in € thousand)	2013	%	2012	%	Change	%
Net sales	334,989	100.0%	314,737	100.0%	20,252	6.4%
Other income and revenues	5,996	1.8%	6,707	2.1%	(711)	-10.6%
Change in inventory of finished products	2,234	0.7%	(3,372)	-1.1%	5,606	-166.3%
Value of production	343,219	102.5%	318,072	101.1%	25,147	7.9%
Purchase of materials	(137,619)	-41.1%	(135,500)	-43.1%	(2,119)	1.6%
Change in inventory of raw materials	(5,446)	-1.6%	(2,637)	-0.8%	(2,809)	106.5%
Services received	(48,928)	-14.6%	(45,719)	-14.5%	(3,209)	7.0%
Other costs	(19,191)	-5.7%	(18,548)	-5.9%	(643)	3.5%
Added value	132,035	39.4%	115,668	36.8%	16,367	14.1%
Labour costs	(80,675)	-24.1%	(70,652)	-22.4%	(10,023)	14.2%
Gross operating profit (EBITDA)	51,360	15.3%	45,016	14.3%	6,344	14.1%
Amortization and depreciation	(15,598)	-4.7%	(15,562)	-4.9%	(36)	0.2%
Other provisions	(5,589)	-1.7%	(7,505)	-2.4%	1,916	-25.5%
Operating profit (EBIT)	30,173	9.0%	21,949	7.0%	8,224	37.5%
Net financial income and losses	(4,385)	-1.3%	(5,054)	-1.6%	669	-13.2%
Net gain and losses on exchange rate differences	(4,182)	-1.2%	1,039	0.3%	(5,221)	n.s
Writedown of equity investments	405	0.1%	94	0.0%	311	n.s
Goodwill impairment	(422)	-0.1%	-	0.0%	(422)	-
Profit (loss) before taxation	21,589	6.4%	18,028	5.7%	3,561	19.8%
(Income taxes for the period)						
Current	(8,201)	-2.4%	(7,756)	-2.5%	(445)	5.7%
Deferred	(369)	-0.1%	(1,505)	0.5%	1,136	-75.5%
Profit (loss) for the period before Minority interests	13,019	3.9%	8,767	2.8%	4,252	48.5%
Quota of (profit) loss pertaining to minority interests	(1,683)	-0.5%	(33)	0.0%	(1,650)	n.s
PROFIT (LOSS) FOR THE PERIOD	11,336	3.4%	8,734	2.8%	2,602	29.8%

CONSOLIDATED BALANCE STATEMENT

For the year ended

31 DECEMBER 2013

(Amounts in € thousand)

	31/12/2013	31/12/2012	Change	%
CURRENT ASSETS:				
Trade accounts receivable	63,939	54,387	9,552	17.6%
Inventories	84,626	80,197	4,429	5.5%
Accrued income and prepayments	1,717	1,769	(52)	-2.9%
Other current assets	7,957	5,992	1,965	32.8%
Total current assets	158,239	142,345	15,894	11.2%
<i>Current liabilities:</i>				
Trade accounts payable	39,099	29,605	9,494	32.1%
Other payables	17,465	12,748	4,717	37.0%
Accrued liabilities and deferred income	2,133	2,653	(520)	-19.6%
Amounts due to tax authorities	5,235	4,214	1,021	24.2%
Provisions for risks and charges	6,032	10,968	(4,936)	-45.0%
Total current liabilities	69,964	60,188	9,776	16.2%
WORKING CAPITAL	88,275	82,157	6,118	7.4%
<i>Non-current assets:</i>				
Tangible fixed assets	85,741	90,731	(4,990)	-5.5%
Intangible fixed assets	59,208	41,939	17,269	41.2%
Equity investments and securities	4,328	16,105	(11,777)	-73.1%
Other no-current assets	15,532	13,793	1,739	12.6%
Other non-current liabilities	(3,465)	(3,651)	186	-5.1%
Provisions for risks and charges	(1,540)	(1,777)	237	-13.3%
Total non-current assets	159,804	157,140	2,664	1.7%
CAPITAL EMPLOYED LESS CURRENT LIABILITIES	248,079	239,297	8,782	3.7%
STAFF SEVERANCE INDEMNITIES	1,877	1,986	(109)	-5.5%
NET CAPITAL EMPLOYED	246,202	237,311	8,891	3.7%
FUNDED BY:				
Share capital	5,018	5,018	-	-
Share premium reserve	22,234	22,234	-	-
Legal reserve	1,004	1,004	-	-
Other reserves	37,617	78,257	(40,640)	-51.9%
Retained earnings	47,854	8,437	39,417	n.s
Profit for the years	11,336	8,734	2,602	29.8%
SHAREHOLDERS' EQUITY - GROUP	125,063	123,684	1,379	1.1%
MINORITY INTERESTS	13,900	801	13,099	n.s
TOTAL SHAREHOLDERS' EQUITY	138,963	124,485	14,478	11.6%
Medium/long term financial payables	(62,301)	(54,840)	(7,461)	13.6%
Long term share purchase agreement	(1,135)	(1,271)	136	-10.7%
Medium/long term net indebtedness	(63,436)	(56,111)	(7,325)	13.1%
Current liquid assets	29,548	22,168	7,380	33.3%
Short term financial liabilities and short term portion of loans	(73,351)	(78,883)	5,532	-7.0%
Short term net liquidity (indebtedness)	(43,803)	(56,715)	12,912	-22.8%
NET FINANCIAL POSITION	(107,239)	(112,826)	5,587	-5.0%
TOTAL SOURCES OF FUNDING	246,202	237,311	8,891	3.7%

CONSOLIDATED CASH FLOW

For the year ended

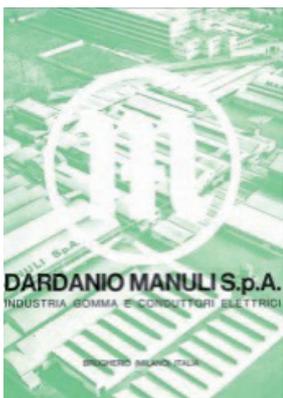
31 DECEMBER 2013

(Amounts in € thousand)

	2013	2012
	*	**
Profit (loss) for the year	8,388	8,854
Items not affecting liquid funds:		
Amortisation and Depreciation	15,058	15,496
Mark-to-Market evaluation	(911)	(204)
Amortisation of consolidation difference	422	-
Staff severance indemnities matured in the year	1,213	1,297
Accruals for risks and charges	4,241	6,312
Writedown/(Revaluation) of equity investments and goodwill	(9)	(94)
Total items not affecting liquid funds	20,014	22,807
SELF-FINANCING	28,402	31,661
Current assets:		
Trade accounts receivable	(3,449)	12,804
Inventories	6,175	4,440
Prepayments and accrued income	273	768
Other current assets	(1,099)	378
Total current assets	1,900	18,390
Current liabilities:		
Trade accounts payable	6,739	(15,867)
Other payables	4,232	884
Accrued expenses and deferred income	(533)	(538)
Tax payables	(394)	(1,385)
Total current liabilities	10,044	(16,906)
Changes in current assets and liabilities	11,944	1,484
Writedown/use of provisions for risk and charges	(9,415)	(11,339)
Staff severance indemnities paid	(1,016)	(1,587)
Total use of reserve affecting liquid funds	(10,431)	(12,926)
Cash Flow from operating activity	29,915	20,219
Purchase of tangible assets	(11,632)	(11,673)
Increase/(Decrease) in suppliers of technical fixed assets and intangible assets	(876)	(2,994)
Proceeds from sale of fixed assets	233	266
Increase in intangible assets	(938)	(1,040)
(Increase) Decrease in financial fixed assets	(13,213)	(15,441)
Cash from investment activity		
Dividends distributed	(3,011)	(6,111)
Translation differences and other movements	(15,883)	(352)
(Increase) Decrease in financial fixed assets	11,427	2,203
Changes in shareholders' equity of minority interests	(61)	(25)
Cash Flows from financial activity	(7,528)	(4,285)
Variation in consolidation area (*,**)		
<i>Purchase of Manuli Fluiconnecto (NSW) Pty Ltd. (ex Flow Services Pty Ltd.)</i>	-	(1,112)
<i>Purchase of Fluid System Botswana (Pty) Ltd.</i>	-	(2,730)
<i>Purchase of Fluid System North (Pty) Ltd.</i>	-	(744)
<i>Purchase of Hyspec Mining Services Pty Ltd.</i>	4,372	(14,118)
<i>Purchase of Mercia International Products Ltd.</i>	(7,198)	-
<i>Deconsolidation of Manuli Hydraulics Manufacturing Bel JLLC</i>	(761)	-
Total Variation in consolidation area	(3,587)	(18,704)
INCREASE/(DECREASE) IN NET FINANCIAL POSITION	5,587	(18,211)
NET FINANCIAL POSITION AT THE BEGINNING OF THE YEAR	(112,826)	(94,615)
NET FINANCIAL POSITION AT THE END OF THE YEAR	(107,239)	(112,826)

* In the cash flow statement at December 31, 2013, the effects of the inclusion in the scope of consolidation of the Hyspec Group and Mercia International Products Ltd. as well as the exclusion of Manuli Hydraulics Manufacturing Bel JLLC are recorded under "Changes in scope of consolidation".

** In the cash flow statement at December 31, 2012, the effects of the inclusion in the scope of consolidation of Manuli Fluiconnecto (NSW) Pty Ltd., Fluid System Botswana (Pty) Ltd. and Fluid System North (Pty) Ltd. are recorded under "Changes in scope of consolidation". The item includes the price paid for the acquisition as well as all incidental charges.



1935

1973



Mr. Dardanio Manuli
The Founder



Mr. Mario Manuli
Managing Director



1993

2013



www.manulirubber.com



www.manuli-hydraulics.com



www.fluiconnecto.com